FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,762 | Friday October 25 1985 | D 8523 B

U.S. economy: the forest fire of disinflation, Page 13

World news

French 'board protest vessel

The Greenpeace protest yacht Vega was intercepted by a French warship after it entered a forbidden zone around Mururoa atoll shortly *before* France carried out a nuclear test, French Defence Minister Paul Quilès announced.

The Vega was intercepted 10 miles north-west of the atoll and towed into international waters. Its crew was arrested. Greenpeace International in London said the vessel, with four protesters on board, was boarded by French commandos while it was still six miles outside the exclusion zone.

French Prime Minister Laurent Fabius,visiting the test site, reaffirmed France's commitment to its nuclear deterrent. **Details, Page 3**

Charges denied

China rejected charges by a U.S. senator that it was involved in nuclear co-operation with Iran or South Africa or what he described as three other nuclear outlaw nations. Page 4

Arms race plea

Chinese Prime Minister Zhao Ziyang, speaking at the UN, urged the U.S. and the Soviet Union to abandon their attempt to seek military superiority . ***Dutch missile* vote, Page 3; Gandhi plea, Page 6**

Nuclear-free zone

President Mohammad Zia ul-Haq of Pakistan said at the UN he was willing to negotiate a nuclear-free zone with India. President Reagan, in separate meetings with Zia and Indian Prime Minister Rajiv Gandhi, urged the two countries to avoid competition.

Embargo ruled out

South Africa, key supplier of strategic metals vital to Western industry, ruled out an embargo on such supplies in retaliation for anti-Pretoria sanctions over apartheid.

S. Africa violence

Police used rubber bullets and water cannon to quell violence in Cape Town where they said they killed six Coloured (mixed race) men in a night of rioting, mainly in Cape Province. **Violence spreads, Page 4**

White exodus

The exodus of whites from South Africa rose 27 per cent over the first seven months of the year when 6,199 people left. Page 4

Gulf air raid

Iraq said 10 of its aircraft attacked an Iranian oilfield in the northern *Gulf for the second time in two* days, leaving it in flames. Iran said its forces killed 310 Iraqis in an overland attack on the southern Gulf war front.

Senate delays sale

The U.S. Senate banned a $1.9bn arms sale to Jordan until it undertook direct negotiations with Israel. The vote in the Republican-controlled Senate was 97 to 1. **Earlier report, Page 4**

Daughter freed

Ines Duarte, 35, daughter of Salvadorean President José Napoleón Duarte, was freed, 44 days after she was kidnapped by guerrillas, diplomats said.

17 shot dead

At least 17 people, six of them children, were massacred by gunmen in the southern Philippines.

Food aid approved

The UN Food and Agriculture Organisation said it had approved emergency food aid worth $4.2m for Mexican earthquake victims and refugees in Honduras and Rwanda.

Business summary

ICI third quarter profits fall 27%

ICI third-quarter profits fell to £182m ($260m) before tax, a fall of 27 per cent from the comparable period last year. But the group is less concerned over the level of sterling than it was at the time of its mid-year figures. **Details, Page 24**

ZURICH shares continued to rise. The Swiss Bank industrial index closed at a record, adding 7 to 506.4. Page 44

WALL STREET: At 3pm the Dow Jones industrial index was 0.78 down at 1,366.38. Page 44

LONDON: Gloomy economic surveys sapped interest from the market although equities held their ground. The FT Ordinary share index closed 0.3 up to a new high of 1,051.6. The FT-SE 100-share index was 3.2 up at 1,349.6. Page 44

TOKYO: Speculative buying and firmer blue chips boosted shares after three days of declines. The Nikkei-Dow market average firmed 22.55 to 12,989.08. Page 44

DOLLAR was firm in London, rising to DM 2.6495 (DM 2.638), FFr 8.075 (FFr 8.04), SwFr 2.171 (SwFr 2.164) and Y216.65 (Y215.75). On Bank of England figures, the dollar's index rose to 131.2 from 130.8. Page 37

STERLING lost 1.25 cents against the dollar in London to $1.4215. It was also weaker at DM 3.765 (DM 3.7825), FFr 11.4775 (FFr 11.53), SwFr 3.085 (SwFr 3.1025) and Y308.0 (Y309.5). The pound's exchange-rate index fell 0.4 to 80.7. Page 37

GOLD was unchanged on the London bullion market at $326.50 but fell slightly in Zurich to $326.25. Page 36

AUSTRALIA'S inflation rate in the quarter to the end of September was 2.2 per cent, bringing the yearly rate to 7.6 per cent – substantially above the rates of its main trading partners. Page 4

TURKEY will maintain a policy of liberalising its trade and depreciating its currency to boost exports, the Foreign Minister told businessmen.

TEXACO, third-biggest U.S. oil group, which took over Getty Oil last year, said a return to profit in refining and marketing helped lift third-quarter earnings 28 per cent to $301m.

PROCTER & GAMBLE, U.S. pharmaceuticals and cosmetics group, said improved margins and higher prices helped to push first-quarter profits ahead from $223m to $250m on sales up from $3.48bn to $3.6bn.

ELF AQUITAINE, the French state-controlled oil group, and Williams Companies of the U.S. have agreed to pool their phosphate mining assets in North Carolina.

ASEA, *the Swedish electrical* engineering concern, will acquire SLM (Saehkoelaehteenmaeki), a privately owned Finnish electrical contractor, for an undisclosed price. SLM employs 1,300 and expects sales this year of around SKr 500m ($63m).

HERTIE, the West German retail group, is in a battle with trade unions over its plans to close three main stores in the Ruhr area early next year with the possible loss of 860 jobs.

Reagan challenges Moscow over regional conflicts

BY REGINALD DALE, U.S. EDITOR, IN NEW YORK

PRESIDENT Ronald Reagan yesterday *sharply raised the stakes* for next month's U.S.-Soviet *summit* by challenging Moscow to agree to stop using "military force and subversion" to expand its global influence.

Mr Reagan's message was contained in a three-point plan for resolving regional conflicts around the world announced in a speech to the United Nations General Assembly in New York.

He named conflicts in five countries – Afghanistan, Cambodia, Ethiopia, Angola and Nicaragua – in all of which, he said, the Soviet Union was heavily engaged. Until progress was made in resolving those conflicts by negotiation, the U.S. would continue to support the anti-Communist guerrilla forces.

Mr Reagan said the U.S. plan should be "a central issue" for his Geneva meeting with Mr Mikhail Gorbachev, the Soviet leader, on November 19 and 20. His speech reflected the new-found U.S. determination that the Geneva agenda must not be dominated by the arms control issues, particularly the U.S. Star Wars space defence programme, on which Moscow has sought to focus.

Underlining the main thrust of the speech, a senior U.S. official said that without progress on Mr Reagan's regional initiative it would be "very difficult" to make progress in other areas such as arms control. An end to Soviet military expansionism was "fundamental" to stable superpower relations, the official said.

Mr Reagan said the latest Soviet arms control proposals, announced by Mr Mikhail Gorbachev in Paris earlier this month, contained "seeds which we should nurture" and promised U.S. willingness to establish "a genuine process of give and take."

While U.S.-Soviet differences remained "deep and abiding," Mr Reagan called for a fresh start to be made in restoring superpower relations in Geneva.

He again insisted that he would press ahead with research and testing under the Star Wars programme until such time as nuclear weapons were finally eliminated from the face of the earth.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, who sat expressionlessly during Mr Reagan's address before delivering his own speech to the assembly, did not respond directly to the U.S. *initiative.*

He made clear that Moscow's views differed sharply on world conflicts, adding the Middle East and southern *Africa to Mr Reagan's* list and denouncing the U.S.-backed guerrillas in Afghanistan and Nicaragua as "hired assassins."

He said the UN was the best place to solve such conflicts and reaffirmed the priority of an agreement in principle on arms control in Geneva.

Mr Reagan was to meet Mr Shevardnadze later yesterday, after an informal Western summit session with the leaders of the UK, West Germany, Italy, Canada and Japan to rally support for his stance in Geneva.

French officials in New York yesterday sought to play down any suggestion of a split in the Western alliance, despite President François Mitterrand's decision not to attend the gathering of Western leaders.

France welcomed Mr Reagan's regional initiative as addressing problems with which Paris had long been concerned, the officials said. They appeared relieved to have found an issue on which France could agree with the U.S., in con-

Continued on Page 20

Gandhi plea on arms race, Page 6; UK Star Wars role, Page 10; Editorial comment, Page 18

Thatcher praises UN role in averting disputes

By Robert Mauthner, Diplomatic Correspondent, in New York

MRS Margaret Thatcher, the British Prime Minister, yesterday *sprang to the defence of the much-*criticised United Nations, emphasising that it had acted as a court of world opinion since its creation in 1945 and that now no government could afford to neglect or ignore its views.

But she also underlined the UN's shortcomings and suggested ways in which those might be remedied.

In a speech to the UN General *Assembly* on the occasion of the world body's 40th anniversary, which was widely seen as an attempt to reverse the present swing of the U.S. administration and other governments away from internationalism, Mrs Thatcher said that the UN had shown that it was a force for action, "not a mere frothing of words."

It could help to keep the peace in three vital ways: first, by setting the stage for negotiations as it did with the Resolution 242 on the Middle East; second, by acting as the catalyst that persuades the parties to a dispute to prefer negotiation to confrontation, and third, by pursuing its peace-keeping role.

"Had it not been for the Blue Helmets and the Blue Berets of the United Nations – *guided* by a great British servant of the UN, Brian Urquart – local conflicts would have spread and the toll of death and the flood of homeless would have been even greater," she said.

Mrs Thatcher criticised those who refused to make their fair financial contribution to the organisation's vital peace-keeping operations, saying they were *failing* in "their duty to the United Nations, mankind and peace."

In spite of her ringing words of support for the UN, Mrs Thatcher admitted that it had also been very disappointing in many ways. In particular, the UN had not yet shown the capacity to deal effectively with terrorism.

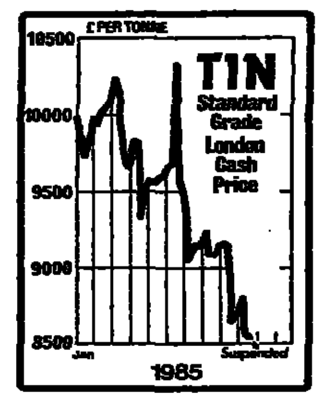
Mrs Thatcher also emphasised that basic human rights were still not observed throughout the world. The problem was not lack of rules and standards, which could all be found in the UN charter and in the Universal Declaration of Human Rights. The problem was that some governments "blatantly disregard these standards because human rights have no place in their political system."

"We cannot do without the United Nations," Mrs Thatcher said in conclusion. "But we can do a lot more with it."

Tin trading halted as price slumps

BY STEFAN WAGSTYL IN LONDON

THE International Tin Council (ITC), the producers' and consumers' group which has tried to support tin prices in recent years, was *last night attempting to find ways* to resolve a crisis in the tin market.



Trading in tin was suspended on the London Metal Exchange, the world's leading metals market, yesterday morning after Mr Pieter de Koning, the buffer stock manager who run s the ITC's support schemes, told the LME he had run out of funds to support prices.

His decision followed a sudden *£1970 fall* in unofficial pre-market trading which took the price to £8,140 ($11,591) a tonne – well below the ITC's floor price of about £8,500 a tonne.

Mr de Konging said heavy selling in the market had created a "self-fulfilling lack of conficence in the tin price," which had made his position impossible.

Mr de Konging was driven to ask for a suspension in trading because he had used up all the credit lines open to him from banks.

Over the years the buffer stock manager has defended the tin price by building up a mounting stock pile of tin which now stands at over 62,000 tonnes, worth just under £500m. This is funded by an estimated £200m ITC members and the rest from borrowings.

Last month the Association of Tin Producing Countries – the producer-members of the ITC agreed to add an extra £60m to the buffer stock manager's reserves, but this money has not yet been paid over.

This delay is thought to have brought matters to a head for the ITC's bankers.

The heads of ITC delegations are to meet today in London to pave the way for a meeting of ministers from ITC countries on Tuesday.

Tin trading on the LME and in Kuala Lumpur has been suspended until the end of today. LME board and committee members who met all day yesterday and are meeting again today are likely to agree to

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Swiss review policy on capital market issues

BY WILLIAM DULLFORCE AND JOHN WICKS IN LAUSANNE

THE SWISS National Bank, the country's central bank, indicated yesterday that it might in future allow Swiss franc capital market issues to be made outside the country – a move that would represent a far-reaching shift in present policies. So far, only banks domiciled in Switzerland have been allowed to syndicate Swiss franc issues.

The prospect of a relaxation of this restriction led one big Swiss bank yesterday to suggest that it might transfer its issuing business to London.

Mr Pierre Languetin, the National *Bank president, said that until* now, foreign monetary authorities had supported the bank's efforts to prevent Swiss franc bonds from being issued abroad.

As deregulation of international capital markets accelerated, however, Switzerland might not be able in future to count on that support.

The National Bank will reappraise its capital market policy over the next few weeks. The remarks made yesterday, Mr Languetin said, could be read as indicating the direction its conclusions might take.

The National Bank's reappraisal follows a decision this year by the West German Bundesbank to liberlise its capital market, although lead managers of D-Mark bonds still have to be based in Germany. Swiss franc bonds, or dual-currency issues featuring Swiss francs, could under the changes now being considered, be underwritten by banks outside Switzerland as long as there were Swiss participants in the syndicate.

Mr Markus Lusser, vice-president, said the National Bank was reviewing its policy on its own initiative an dnot under pressure from abroad.

Matters appear to have been brought to a head by the growing appetite by borrowers for dual-currency bonds, paid in one currency and redeemed in another.

Several foreign banks have recently proposed dual-currency issues featuring Swiss francs, In particular, the possibility of D-Mark/Swiss-Franc issues has been mooted.

The National Bank has not so far accepted the bankers' argument that such issues would not contravene its regulations.

In the past, the National Bank has resisted internationalisation of the Swiss currency to retain tighter control of exchange and interest *rates.*

Such restraint was no longer necessary since the effects required could be achieved through control of the money supply, Mr Lusser said.

The National Bank sets annual targets for the adjusted monetary

Continued on Page 20

Bonds, Page 21

Italy strides ahead in FT 500 survey

BY STEFAN WAGSTYL IN LONDON

ITALIAN companies have provided the strongest combined performance of any one country in this year's Financial Times list of the top 500 European companies, as investors became increasingly confident about the Government's ability to cope with the country's economic problems.

Buoyed by a stock market that rose 58 per cent in the year to June, vehicle maker Fiat, computer manufacturer Olivetti and the chemicals concern Montedison were among the Italian companies making big strides in 1985's survey. The companies are ranked by market capitalisation, taken at the end of June, *and measured in U.S. dollars.*

Taking a sweep across different sectors of Europe's commerce and industry, the outstanding cross-border movement on the bourses has been a strong advance by insurance companies (as a result of a recovery in insurance rates), notably by West Germany's Allianz, which is up 15 places to number 10.

Together, Europe's top 500 companies have surged ahead on the continental European bourses, buoyed by *strong advances in corporate* profits. To join this year's list, a group had to be worth at least $170m, against $145m in 1984. For the first time since the annual list was launched in 1982, the threshold for the top 100 has risen above $1bn.

At the top of the European 500, newly privatised British Telecom makes its debut as the highest new entry, at number 2, well behind Royal Dutch/Shell but ahead of British Petroleum.

The full survey is published in tomorrow's FT.

Subroto calls for flexible ceilings on oil production

BY MAX WILKINSON IN LONDON

OIL-PRODUCING countries may have to agree more flexible production ceilings to take account of the seasonal pattern of demand, Dr Subroto, chairman of the Organisation of Petroleum Exporting Countries (Opec), suggested in London yesterday.

The Indonesian Oil Minister told a conference in the future for oil that it might no longer be realistic for Opec to hold to official crude price levels. Instead, member should defend production levels and allow the price to adjust.

Afterwards, he said that he would put forward the idea of a range of prices when Opec meets in December. He said the overall Opec production ceiling should be 16m barrels a day (b/d), but on a quarterly basis it could vary.

This appeared to be a significant step towards the view put forwrd by several analysts that Opec might need a winter and summer quota if it is to resist strong pressure for increased production among its members.

Opec production for the fourth quarter of this year is forecast by UK broker Wood Mackenzie at an average of 17.1m b/d, but there is a general expctation that demand *will fall* quite rapidly next spring.

Saudi Arabia's more aggressive stance, however, could mean that the kingdom would lift its production to about 4m b/d, compared with a level of about 3.6m b/d in the fourth quarter.

Dr Subroto said at yesterday's conference, sponsored by the International Herald Tribune and the Oil Daily, that Saudi Arabia's recent "netback deals", which cut the price of its crude, were a warning to others.

The 1m barrels of Saudi oil being sold under the arangement could be absorbed by the market at a time when demand had increased. If the warning were not heeded, he said, there was the possibility of a price colllapse.

Dr Subroto renewed his call to non-Opec oil producing countries to co-operate more in restraining production. *Afterwards, he said that* Mr Peter Walker, the UK Energy Secretary, had told him that UK production would decrease althoug he had not sugested that the UK should curb production and exports.

At the next Opec conference in December, he said that the would suggest that Opec countries cut production across the board, but he did not elaborate on this idea.

Go-ahead for N. Sea field, Page 10; Oil companies' results, Page 21

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Sweden lowers penalty rate on bank borrowing

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE SWEDISH central bank (Riksbank) yesterday lowered by one percentage point the 15 per cent penalty rate which it applies to bank borrowing.

It left the discount rate unchanged at 10.5 per cent, however, and Sweden still has some of the highest interest rates in Europe reflecting its weak external payments position and an inflation rate that is considerably higher than those of its main trading partners.

The decision to ease money market rates has been taken cautiously. The Riksbank has allowed money market rates to fall gradually in recent days, but had delayed a cut in the penalty rate until it could check that the relaxation had not led to any unwelcome outflow of currency.

Earlier this year, the Riksbank was forced to push up Swedish interest rates close to record levels to stem an alarming flow of currency out of the country.

The crisis of confidence in the Swedish krona was triggered by the rapid deterioration in the current account of the balance of payments in the first few months of the year which was accompanied by an unexpected boom in private spending.

In the first four-and-a-half months of the year around SKr 10bn (£880m) flowed out of the country, but the hefty increase

Mr Bengt Dennis: fiercely critical of Government

in interest rates (the discount was raised to 11.5 per cent from 9.5 per cent and the penalty rate from 13.5 per cent to 16 per cent on May 14) succeeded in reversing the flow.

Apart from two nervous weeks around the general election last month there have been positive currency flows since mid-May which have virtually made good the big deficit of the early months of the year.

Yesterday's reduction was the second stage of the easing of interest rates taken by the Riksbank since the May crisis package. Both the discount and penalty rates were lowered by one percentage point on July 12.

Yesterday's decision to leave the discount rate untouched reflects continuing concern about the high level of private consumption and the deficit on the current account, which reached SKr 11.5bn in the first eight months of the year compared with a surplus of SKr 3.3bn in the corresponding period of 1984.

There is still a big gap between Swedish and international interest rates, however, with three-month Treasury bills yesterday carrying an interest rate of 14.11 per cent compared with three-month Eurodollar rates of 8.25 per cent.

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Greece may seek $2bn loan from Community

By Andriana Ierodiaconou in Athens

GREECE WILL decide in consultation with Brussels over the next few weeks whether to apply for a $2bn EEC loan to help cope with its balance of payments crisis, Mr Costas Simitis, the Economy Minister, said in Athens yesterday.

The Government applied to the European Commission earlier this month for a one-year extension to January 1987 deadline for introducing VAT, dismantling the state petroleum monopoly and ending tax rebates on exports. Athens also wants to be allowed to continue to restrict the movement of capital.

The petition was submitted along with a memorandum notifying the Commission of a package of austerity measures announced by the Greek Government on October 11, designed to reduce high current account and public sector deficits and bring foreign borrowing under control.

The package included a 15 per cent devaluation of the drachma, a two-year wage freeze and a new import deposit requirement which will in effect restrict imports into Greece, including those from the EEC.

Mr Simitis said yesterday that the current account deficit is expected to reach between $2.8bn and $3bn by the end of this year, considerably overshooting official targets.

The net public sector borrowing requirement is expected to reach 18.7 per cent of gross national product. The Government has set targets of a current account deficit of $2bn and a reduction of 4 per cent in the public sector borrowing requirement as a percentage of GNP by the end of 1986.

The minister denied reports that Greece is considering demanding a rescheduling of its external debt and said the country's credit rating remained "satisfactory."

According to the central bank, Greece's foreign debt stood at $12.358bn at the end of 1984, while the country has borrowed about $2bn so far this year.

Meanwhile, more than 100,000 workers in the state telecommunications and electricity authority, and in over 150 other industries, staged a one-day strike yesterday to protest against the austerity measures.

The strikes are part of a wave of labour unrest which has swept Greece this week.

Soviets' invention drowned by imports

By Patrick Cockburn in Moscow

THE ONLY time the Soviet Union rapidly introduced technical innovations produced by its own scientists was after the U.S. embargo on the Siberian gas pipeline to Western Europe, according to a senior Soviet official in charge of inventions.

Mr Yuri Pugachev, deputy chairman of the Soviet state committee on Inventions, says that much of the so-called new technology introduced into enterprises is not of international standards and "has not genuinely new components."

The daily Sovietskaya Rossiya newspaper, frequently an advocate of economic reform, says that there is little incentive for Soviet enterprises to introduce inventions. If they do so they over-fulfill their target laid down in the plan, but their plan target is then raised. If a profit is made in the first year it is taken by the Finance Ministry.

"The activity of inventors is dropping off from year to year," says the newspaper. A negligible number of inventions are patented abroad."

When the Soviet Union had to rely on its own resources to complete the gas pipeline, inventions previously neglected were suddenly put to use. "For years, nobody introduced them, preferring to buy from abroad for hard currency."

The newspaper proposes that another embargo should be artifically arranged to stimulate the use of Soviet inventions.

A theme of articles advocating reform in the Soviet press is that factories making a profit must be able to enjoy the fruits of their success through increased incentive payments.

The five-year plan (1986-90), which determines the course of the Soviet economy, is to be published on November 9 but the degree of economic change to be introduced will only become clear after the next Communist Party congress on February 25 1986.

In future, Soviet planners are likely to draw a greater distinction between heavy industry under central control and light, consumer-orientated industry with greater managerial autonomy. Prices in the former case would largely be fixed as at present, but light industry and consumer products would be priced in accordance with demand within the limits of a price band.

EUROPEAN NEWS

Greenpeace boat boarded by French troops

BY DAVID MARSH IN PARIS

FRENCH COMMANDOS yesterday boarded the Greenpeace vessel Vega as it was preparing to disrupt France's nuclear test by sailing into the South Pacific test site, the Greenpeace organisation said.

A spokesman for Greenpeace International told Reuters news agency that the vessel, with four protesters on board, was six miles outside the exclusion zone imposed by France.

The move came as M Laurent Fabius, the French Prime Minister, who is visiting the Mururoa test site, reaffirmed France's commitment to its nuclear deterrent.

M Fabius, who arrived on Wednesday local time, was due to witness France's first explosion in the autumn testing campaign.

France, which moved its atomic testing to the Pacific from Algeria in 1966, switched to underground tests in 1975, 12 years after the U.S., the Soviet Union and Britain.

M Fabius, who was accompanied by M Paul Quiles, the Defence Minister, as well as parliamentarians and journalists, said yesterday he was visiting the atoll to underline that the testing "had no harmful effect on the environment."

The media coverage of this week's test, which contrasts with the normal discretion observed over France's nuclear explosions, is easily the most widespread since President Charles de Gaulle visited one of France's early aerial explosions

A key reason for M Fabius's surprise trip has been to take some of the wind out of the opposition's sails ahead of his weekend televised debate with M Jacques Chirac, leader of the neo-Gaullist RPR

Protest action by Greenpeace has ebbed considerably. The organisation's new flagship, Greenpeace, replacing Rainbow-Warrior, the vessel blown up by the French secret service in Auckland in July, has been forced to give up its campaign near Mururoa because of failure of an on-board generator.

● A headline in yesterday's edition incorrectly stated that M Fabius was being accompanied by M Jacques Chirac, the French opposition leader.

Anti-government protest draws scant support

BY OUR PARIS STAFF

A DAY of nationwide protest in France against the Government's economic policies called by the Communist-led CGT union yesterday drew only token support. The small turnout for the strike call, especially in public transport services around Paris, underlined French workers' lack of enthusiasm for militant action in spite of declining living standards and rising unemployment.

The relative failure of the action, planned for several months as a trial of strength with the Government, is bound to raise further doubt about the CGT's ability to rally large sections of the workforce.

Parisian Metro and bus services were operating nearly normally yesterday morning. Train services were hit less than expected, with 15 per cent of staff staying away from work. Although only one in two of mainline services were running, the high-speed TGV network linking Paris and Lyons operated normally.

However, a turnout of about 35 per cent among power workers as well as some wild-cat action to turn off supplies among Electricite de France personnel blacked out parts of Paris yesterday morning.

In the provinces, a survey of 20 towns by the Patronat employers association indicated only very modest strikes and walkouts in factories. However, there were protest rallies in several cities.

The main CGT march in Paris assembled 20,000 people, according to observers. At the rallying point at the Place de la Republique in the east of the captial, M. Henri Krasucki, the CGT leader, issued a fresh call for workers to "fight."

Dutch MPs back missiles

BY LAURA RAUN IN AMSTERDAM

THE DUTCH parliament approved a draft Dutch-U.S. accord on nuclear cruise missile launching yesterday, paving the way for acceptance of the long-delayed missiles next month.

MPs voted in favour of a Christian Democratic motion supporting the five-year draft accord and against several motions opposing it.

The Christian Democrats, their Liberal Party coalition partners and the small Right-wing parties almost certainly will be able to muster a majority again for passage of the final accord next month.

The Cabinet is expected to accept the missiles on November 1, with parliamentary approval of the decision and the launching accord to follow.

Mr Hans Van Den Broek, Foreign Minister, has said the Government wants all parliamentary discussion finished by December 1.

Opponents could gain support if an unexpectedly large number of protesters gather tomorrow when a 3m-signature petition against the missile will be presented to Mr Ruud Lubbers, the Prime Minister.

None of the cruise missiles agreed on in a 1979 Nato pact is expected to be stationed at the Woensdrecht site near the Belgian border before 1988.

MEPs to challenge spending cuts in EEC budget

BY QUENTIN PEEL IN STRASBOURG

THE EUROPEAN Parliament is planning once again to challenge EEC budget ministers head-on over their spending cuts for the coming year—by adding some Ecu 1.6bn (£920m) more to the Community budget than they are legally entitled to do.

The confrontation plan has been drawn up by budget co-ordinators from the major political groups in the assembly, and seems certain to be approved by the full budget committee in 12 days' time.

It underlines the conflict built into the present institutional process in the EEC, pitching the parliament against the Council of Ministers every year, and frequently delaying and even causing outright rejection of the Community budget as it did last year.

Relations between the parliament and the EEC governments in the council are a key subject for reform in the on-going intergovernmental conference seeking to amend the Treaty of Rome.

However, the parliament believes that the present proposals under consideration will do little more than tinker with an unsatisfactory system.

The 1/86 EEC draft budget submitted to the parliament by the Council totals nearly Ecu 32bn (£18.4bn) some Ecu 3bn less than the spending proposed by the European Commission.

Although the parliament has the legal right to add only Ecu 217m (£125m) to the total, the MEP have decided to include an additional Ecu 1.6bn, because of what they regard as the irresponsibility of the member-states.

They maintain that the Ecu 32bn fails to take account of two major items in 1986: the cost of extra Community spending in Spain and Portugal after they join on January 1; and the cost of paying off a build-up of past commitments to the social and regional funds, accumulated over several years.

The MEPs are proposing to allocate their Ecu 217m margin in its entirety to new policies in fields such as technology, energy and the environment in a bid to force the ministers to find the extra cash for Spain and Portugal and past commitments.

In the Ecu 1.6bn extra, the MEPs plan to include Ecu 448m for enlargement costs, Ecu 515m for spending uncovered in the 1985 budget, and Ecu 436m for the cost of past commitments. A further Ecu 200m has been added to make good the cuts in EEC food aid made by the budget ministers last month.

The formal first reading of the budget at Strasbourg is due on November 12, before the document is returned to the ministers. The one contentious subject the MEPs are not questioning is the British rebate, now forecast at some Ecu 1.66bn.

'Red-green' go-ahead in Hesse

By Rupert Cornwell in Bonn

THE MUCH reviled "red-green" coalition in Hesse yesterday comfortably cleared its first hurdle as the alliance of Social Democrats and Greens beat off a censure motion from the centre-right opposition parties in the state parliament.

Only one of the seven Green members of the Wiesbaden assembly abstained as his six colleagues voted with the 51 Social Democrats to ensure the survival in office of Herr Holger Boerner, the state premier, who has headed a minority SPD administration since the election of October 1983.

The Christian Democrat (CDU) and Free Democrat (FDP) opposition parties could muster no more than their 52 supporters in the Parliament, four short of the 56 votes required to topple Herr Boerner and force another election.

Yesterday's comparatively disciplined performance would seem to improve the chances of a special party conference of Hesse Greens this weekend giving conclusive approval to the coalition formula—the first of its kind at state government level in West Germany between SPD and Greens.

Under last week's agreement, the Greens will be given an enlarged Environment and Energy Ministry, as well as the job of state secretary for women's affairs.

Herr Boermer, who once opposed such an alliance, has come under fire for his about-turn from all sides, including Chancellor Helmut Kohl. But it is the prospect of a Green Environment Minister which has really set the cat among the pigeons.

Amid predictions of economic calamity for Hesse, one of the most prosperous states in the country, conservative politicians and the captains of local industry have warned that Green unpredictability, and a Green-inspired clamp down on pollution could provoke a disastrous flight of investment from the state, to the benefit of more tolerant CSU and CDU governments in neighbouring Bavaria and Baden-Wuerttemberg.

The Premier promised this week that an SPD-Green administration would not be hostile to industry. But he served notice that the chemical sector, "which has contributed to the dirtying of our rivers and the pollution of the atmosphere in our state," would have to abide strictly by existing anti-pollution legislation.

Madrid hesitates over sending Franco minister to Brussels

BY DAVID WHITE IN MADRID

A DELAY in naming Spain's future representatives on the European Commission has shown up evident difficulties within the Socialist administration over the choice of the second appointee.

The expected nomination of the government's chief EEC negotiator, Sr Manuel Marin, has been virtually confirmed by the appointment of a substitute for his current post as Secretary of State for EEC Relations. He is Sr Pedro Solbes, a senior official at the Economy Ministry who was part of Spain's "task force" in the final negotiations.

However, Sr Marin has not yet been named officially to the Commission, pending a decision tion. The names of Spain's due to come from the opposi- on the second member, who is Commissioners had been expected to be announced last week in order to allow them a running-in period before taking up their posts in January.

The Government appears to have had second thoughts about accepting a proposal by Sr Manuel Fraga, leader of the main opposition party, Alianza Popular. His main candidate Sr Carlos Robles Piquer, faces stiff resistance from some members of the Government because of his past links with the Franco regime. Education Minister in the first post-Franco government, Sr Robles Piquer had earlier worked under Sr Fraga — the two men are brothers-in-law — when the latter was Minister of Information under eneral Franco

By appointing one opposition figure, the Government wants to stick by the practice followed up to now (with the recent exception of France) by the other EEC members which have two Commissioners. Sr Felipe Gonzalez, the Prime Minister, appeared willing to bow to Sr Fraga's desires in the matter, in a bid to establish a truce with the Right in the delicate period ahead of the Nato referendum planned next spring.

However, doubts have been raised on several counts about the suitability of Alianza Popular's candidate for the job.

During a visit to Madrid last week, M Jacques Delors, the Commission president, expressed the hope that Spain would send people with strong EEC experience and that it would inject young blood into the Commission. While Sr Marin, a hardened EEC hand at 36, clearly qualifies on both counts. The 60-year-old Sr Robles Piquer has had little direct dealing with EEC affairs, although he was briefly Secretary of State at the Foreign Ministry.

In addition, there is the issue of his political background. The leading Madrid daily newspaper, El Pais, said in an editorial earlier this week that it would be "distressing for the Community and for European and Spanish public opinion for prominent representatives of Francoism and its evils to sit now on the Brussels Commission, when it was the evils of Francoism that for years kept the way to Europe closed to us."

Spain does not lack potential candidates from other sectors of the opposition. Foremost among these is Sr Eduardo Punset, a 49-year-old Catalan economist who served as Minister for EEC Relations in the last government of Sr Adolfo Suarez in 1980-81. He is believed to be favoured by Sr Gonzalez but to be opposed by Sr Fraga.

W. German trade figures soar

By Jonathan Carr in Frankfurt

WEST GERMANY'S current account surplus soared in September to DM 4.3bn (£1.13bn), bringing the total for the first nine months to DM 21.1bn compared with just DM 2.2bn in the same period of 1984. The current account showed a small DM 800m deficit in August

The visible trade surplus alone jumped in September to DM 7.4bn from DM 3.3bn in August, bringing the total for the first nine months to DM 49.6bn compared with DM 32.1bn before.

The latest figures lend weight to forecasts that both the trade and current account surpluses will easily set new records this year—probably totalling around DM 75bn and DM 35bn respectively.

***The key reason behind the* rise is that visible exports are growing faster than imports (by an average of about 8.5 per cent in real terms against 6 per cent). Moreover the terms of trade are moving, slightly in West Germany's favour, thanks to stable raw materials prices and a weaker dollar.**

U.S. offer on arms research

By Ivo Dawnay in Brussels

THE U.S. Defence Department is preparing to offer $250m towards a joint research and development programme on conventional weapons with ts Nato allies.

If the offer is not taken up, however, pressure is secrtain to mount in Congress for a reduction in U.S. defence commitments in Europe.

This "carot and stick" gesture has been inspired by an amendment to the U.S. 1985 Defence Authorisation Bill, tabled by Sen Sam Nunn, a leading member of the Senate Armed Services Committee

It will b presented by Mr Wiliam Taft, the Deputy Defence Secretary, to his Nato counterparts at a meeting in Brussels on November 15.

The purpose is to provide seed capital for joint R&D programmes. A $200m sum would be set aside as the U.S. component in a programme to identify deficiencies and define priorities for new projects.

A further $50m has been allocated to allow joint evaluation of U.S. conventional arms alongside those manufactured by their European counterparts.

Violence spreads to centre of Cape Town

BY ANTHONY ROBINSON IN JOHANNESBURG

POLITICAL violence came to the very centre of white Cape Town yesterday as dozens of police beat with batons demonstrators and shoppers alike in Adderley Street, the main shopping thoroughfare, and sprayed purple coloured water from a new water cannon.

Eyewitnesses reported that the police swung into action after a large crowd ignored orders to disperse, pursuing fleeing demonstrators and bystanders into side streets.

Demonstrators had moved downtown after police broke up a demonstration in the nearby Cape Malay area while clashes continued in coloured suburbs throughout the area.

Earlier the police reported that few people were killed by police early yesterday during clashes and two hand grenades *were thrown at army and police* vehicles in separate incidents. At the coloured University of the Western Cape 13 people were arrested after police *confiscated six petrol bombs on* the campus.

The Cape peninsular has witnessed a dramatic escalation of violence over the last two weeks as demonstrators have reacted to harsh policing methods with return fire, hand grenades and petrol bombs in addition to more traditional stoning and arson. The eruption of violence *in the city centre*, which has left many shops and banks covered with indelible purple dye, follows a similar incident last Friday in *Johannesburg when police* broke up a protest meeting over the execution of Mr Benjamin Moloise. This also led to running fights in the city centre.

*AP reports: In another mid*day development, the independent South African Press Association reported that "several" foreign television crews were arrested in Cape Town while covering a student gathering.

Also, police warned whites not to form vigilante squads. This came after reports spread through Cape Town's black and mixed-race neighbourhoods that whites in civilian clothes were *firing randomly on Tuesday and* Wednesday into trouble spots from passing cars.

The police also issued a warning to people intending to travel *by road between Cape* Town and its international airport.

"We will advise motorists, if they can do it, to use an *alternative route," they said.*

South Africa denies chrome embargo Page 34

Fears boost exodus of whites by 26 per cent

By Our Johannesburg Correspondent

THE EXODUS of whites from South Africa rose 26 per cent over the first seven months of this year against the background of growing uncertainty over the coutry's economic and political future.

Latest figures from the Central Statistical Service showed that 6,199 people left in this period against 4,925 over the first seven months of last year. *In July alone South* Africa registered a net loss of 299 people. For the seven months as a whole however, immigration still exceeded *emigration by 5,954, although* this was less than half the 13,269 net gain in the 1984 period.

The latest figures show an *acceleration of the trend* already shown last year when emigration rose 3.7 per cent to 8,550, while the number of new immigrants dropped 6 *per cent to 28,793.*

For a country suffering from a marked shortage of skills, despite growing unemployment overall, the most *worrying trend is the outflow* of professional and technical people for whom emigration to the preferred areas of the UK, North America and *Australia is easiest.*

In July alone, for example, the country lost 38 engineers and 42 managers which was only partially offset

A recent opinion survey of 800 whites and 800 blacks by Markinor showed that 46 per cent of whites and 73 per cent of blacks said they were *financially worse off* than a year ago. Those expressing optimism about the future dropped from 74 per cent in 1977 to 47 per cent among whites and from 62 to 24 per cent among blacks.

Zimbabwe farmers killed

SEVEN gunmen shot dead a white Zimbabwe farmer, his wife and a black employee at their northern Matabeleland farm on Wednesday, **police told AP in Bulawayo yesterday.**

Mr and Mrs Jack Ehlers, who were in their 40s, and one of their labourers, Mr Jonathan Ndlovu, were slain at dusk as they returned to their Mimosa Park farm in Nyamandhlovu *from a shopping trip.* Police said a gang of rebels arrived at the farm before the Ehlers, herded labourers together and ransacked the house, stealing watches, clothing, a radio and beer.

Walter Ellis on Tel Aviv's struggle with its embattled economy

Israeli austerity starts to pay off

THREE WEEKS ago, in the dead of night, Israel's parliament, the Knesset, agreed to extend until next June many *of the provisions of a* three-month package of economic austerity measures originally scheduled to end on October 4.

Such had been the coalition *Government's fear of the conse*quences of a renewed free-for-all that it was felt there was no alternative.

After prolonged, behind-the-*scenes discussions with political* parties and the trades unions, wages, taxes and health insurance payments will continue to be tightly controlled. Separately, *the Bank of Israel has acted* this week to bring down interest rates by two percentage points per month.

The austerity programme, devised with dogged persistence by Mr Yitzhak Modai, the Finance Minister, undoubtedly has brought benefits. The shekel, now redenominated as the new shekel, is markedly more stable against the dollar —bringing complaints from *surprisingly sophisticated* financial quarters about the deleterious effect this has had on black market operations. Foreign currency reserves are also *strongly up, while exports have* risen and imports are down.

On the debit side, the Central Statistics Bureau recently revealed that in the 32 years to *last December, Israel's accumu*lated deficit on its balance of payments had reached $18bn, $8bn of which had been incurred since 1979.

The cost of repaying this mountain of debt, in a country with a population, including Arabs, of 4.5m, has risen steadily. While export growth has been strong in relation to the expansion of imports, with high-technology equipment joining agricultural produce and weaponry on the sales list, the initial imbalance was such that the excess of imports over exports rose by 900 per cent between 1952 and 1984.

Unemployment is also now a serious issue. At the moment it affects around 3 per cent of the working population of 1.46m, but the Labour Ministry fears that a 10 per cent rate could be reached as early as next *spring.*

Dismissal notices are to be sent this week to 8,000 public sector workers as part of the Government's efforts to slash its budget, and *18,000* other jobs are set to go.

Last week, the Israeli branch of Dun and Bradstreet said that more than 1,000 companies throughout the country were in serious financial difficulties, *placing a further 40,000 jobs* at risk.

By the standards of 1984, when at one point consumer prices were rising at an annual-*ised rate of 1,000 per cent,* inflation is slowly being brought under control. In September the rate moved up by just 3 per cent, giving a cumulative increase *for the year to date of* 168 per cent.

Draconian measures, however, have been required to do the trick, and the question remains *of what happens when normal* service is resumed.

Economic mismanagement over the year, culminating in the somewhat cavalier attitude towards fiscal control of Mr Menahem Begin, the former premier, has resulted in deep economic troubles.

Those in the deepest trouble of all, apart from the growing number of unemployed, are entrepreneurs and the middle classes—the very people required to sustain growth in a dynamic economy.

Mr Uriel Lynn, a Likud (Conservative) member of the Knesset, complained recently that the self-employed were being "taxed to despair." He produced figures which showed that a self-employed person with a pre-tax monthly income of $1,360 (£951) pays out 65 per cent of the total in income tax and national insurance, leaving a net figure of $490 (£342.6).

KEY ECONOMIC INDICATORS

	1983 $bn	1984 $bn
GNP	23.5	23.5
Exports	4.9	5.1
Imports	8.4	8.1
Balance of Payments Deficit	5.1	4.9
	1984	1985*
Inflation	445%	168%
Unemployment Rate	5.5%	8.0%

* To end-September.

Source: Israeli Central Office of Statistics

A wage-earner with the same gross income would, by contrast, take home $769, retaining 55 per cent of his her earnings against the 35 per cent enjoyed by the business person.

High interest rates, Latin American-style inflation and the chronic burden of defence expenditure have combined to debilitate both industry and enterprises, forcing up taxes and creating a need for credit *when the cost of borrowing is* prohibitive.

Most Israelis agree that military spending cannot reasonably be expected to fall while the conflict with the Arabs is unresolved. Most would also argue that Israel's lack of a trading hinterland and its requirements to purchase much of its oil from outside the region have contributed significantly to financial difficulties.

These exigencies however, are, to a great degree offset by *the extent of U.S. aid* and by the benevolent attitude towards Israel shown, at least until recently, by the EEC.

For 1985 alone, the U.S. last *year allocated $2.6bn in grants,* made up of $1.2bn for economic purposes and $1.4bn in military aid. Supplementary grants totalling $1.5bn for 1985-86 have since been awarded, $750m of which was paid into the Israeli exchequer in September.

Loans from America are also substantial. Israel's direct indebtedness here now tops $9bn. *In all, between 1952* and the end of last year, Israel received a total of $38bn in grants and loans from abroad, most of it from the U.S. This figure excludes substantial war reparations, mostly from West Germany.

European assistance has been less obvious; but here Israel has also been a clear beneficiary. An association agreement with Brussels has been part of the commercial landscape for more than a decade, entitling many *Israeli exports* to enter the EEC on a preferred basis.

So the content is one of dramatic contrasts. Israel does *not enjoy the benefits which* its geographical location ought to confer. Conversely, it gains massive help from afar.

What is lacking most, per-*haps, is stability and "norm*ality," the conditions in which large-scale manufacturing can take a firm and unbreakable hold.

Without stability, vital investment has to be put off, and the creation of thriving industries out of a multitude of factories struggling along on little *more than bright ideas* is rendered painfully difficult.

A five-year economic plan, covering the period to *1990*, is now in operation, based on the need to build up exports and re-establish investment at its former high levels.

Mr Shimon *Peres*, the *Prime* Minister, and Mr Modai insist that real progress has been made after the Begin years, when growth was uncontrolled and borrowings barely restricted. The International *Monetary Fund agrees.*

If Israel is indeed on the right track, the worst may be over. If danger signals are merely being disguised or ignored, *a rougher ride than* ever may be in prospect.

Diplomatic move may help cut New Delhi hotel glut

By John Elliott in New Delhi

INDIA'S External Affairs Ministry may be about to do the country's tourist industry a *favour by moving its head*quarters from elegant Lutyens-designed offices in central New Delhi to one of the public sector's most unprofit-*able hotels, designed in the* gaunt concrete style of Le Corbusier at the edge of the city's diplomatic area.

The problems of converting the *318 rooms and bathrooms*, public area and swimming pool complex of the Akbar Hotel into offices for diplomats may eventually prove too *daunting. But the project* is being considered by the Government to help the public-sector Indian Tourism Development Corporation (ITDC) cope *with a surfeit* of hotel bedrooms in New Delhi.

At the same time the corporation is about to sign a marketing and reservations agreement with Trust House Forte of the UK which will give associate status to five hotels, including three in New Delhi, the Ashok, Samrat and Kanishka. Last month, the corporation signed its first-ever international marketing agreement, with the Dutch *KLM airline's Tulip hotels.*

Delhi has had too many hotels *since a rash of construction* four years ago boosted the total bedrooms from 3,000 to 6,500, just before the Asian Games were held in the city. *The expected growth in tour*ism did not materialise, and for the past year the number of foreign visitors has been hit by fears of civil unrest *following the assassination* almost a year ago of Mrs Indira Gandhi, the Prime Minister.

Tourism is picking up again, *but the expected rapid growth* has yet to materialise and occupancy rates are low. The largest corporation hotel, the 600-bed Ashok, was down to 40 per cent occupancy during the low April-September season *this year and is ex*pected to go up to between 70 and 75 per cent in the coming winter high season.

However, the problem of excess *capacity will worsen during* the next 15 months when a further 1,000 bedrooms come onto the Delhi market. These will come from three new hotels, two linked with the international Meridien and Holiday Inn *chains and the* third promoted by the family of Mr Swraj Paul, a prominent Indian-born buninessman living in the UK.

The corporation's performance has been hit by depreciation charges of Rs 76m (£4.75m) on three Delhi hotels in the 1982-83 building spree.

However, diversification into flight catering and international hotel consultancy, plus the opening of duty free shops in airport arrival and departure lounges, has pushed net profits up from Rs 5m on a Rs 509m turnover in 1983-84 to Rs 12.5m on a Rs 537m *turnover in 1984-85. Profits of* Rs 30m are forecast for the current year, reflecting a greater flow of tourists and reduced depreciation charges.

Efforts are being made to encourage Indians to travel on holiday around the country, which has been relatively rare in the past. "We believe that mass tourism in this country will *lead to greater social integra*tion," says Mr Rajan Jetley, the corporation's managing director.

Rates as low as Rs 25 (£1.56) *a bed* are offered to groups of young Indians and to those over 65 in all the corporation's hotels, including those in Delhi where normal room *rates range up to Rs 550* a night. At least 5,000 young people have stayed for the first time in corporation hotels in the past year.

To attract foreign tourists, the Government has decided this month to extend to other air-*lines a cheap stop-over* holiday package at present operated by Air India.

But whatever may be done to boost tourism, the rate of *growth will be small and the* bedroom glut in Delhi will remain. So the idea of the overcrowded Ministry of External Affairs saving the *£15m to £20m cost of build*ing a new headquarters by moving into the Akbar has some attractions, as it had in Pakistan, where the Foreign Ministry is also housed in a former hotel.

Hussein warns U.S. on arms package delay

BY OUR FOREIGN STAFF

KING HUSSEIN of Jordan warned *yesterday that the de*cision by President Ronald Reagan to delay a proposed U.S.$1.9bn (£1.3bn) arms sale to his country would damage U.S. credibility and interests *in* the Middle East.

Speaking to reporters in Amman prior to his summit meeting with President Husni Mubarak of Egypt, the King said: "I have made it *abundantly clear to Washington* that unless the agreement is implemented, this is the last we would do to try to secure this particular package."

This is understood to be a thinly veiled hint that he is *unlikely to implement earlier* statements that if the U.S. lets him down, Jordan will turn to the Soviet Union to meet its defence needs.

President Reagan *on* Wednesday bowed to pressure from the Senate and postponed tabling the arms bill until Jordan enters into peace negotiations with Israel.

The King and the Egyptian leader yesterday discussed the recent *developments* in the region, including the Achille Lauro hijacking and the collapse of the Arab peace overture based on a joint Jordanian-*Palestinian delegation to* preliminary peace talks.

While there was no official comment to confirm it the assumption is that King Hussein and President Mubarak re-examined the role of the Palestine Liberation Organisation *in future moves designed* to resolve the Israel-Palestine dispute.

The welcome which the King accorded to what he described *as the "spirit" of the peace* proposals made by Mr Shimon Peres, the Israeli Prime Minister, at the UN on Monday must have also formed part *of the re-assessment by the two* Arab leaders.

MORE OVERSEAS NEWS, PAGE 6

China denies nuclear weapon allegations

BY ROBERT THOMSON IN PEKING

THE CHINESE Government has *angrily denied allegations made* by a US senator that it is assisting other countries in the development of nuclear weapons.

The denial is the second in *seven days.* Last week the Chinese Foreign Ministry issued a terse statement denying a reported claim by General Arun Vaidya, India's Chief of Army Staff, that Pakistan was planning to test an atomic bomb in the remote Western Chinese province of Xinjiang.

In yesterday's denial Xinhua the Chinese news agency, said claims made by U.S. Senator Alan Cranston that China was assisting "Iran, South Africa and others" in the development of nuclear weapons were "groundless."

The Cranston allegations were made in connection with a Sino-US nuclear co-operation agreement signed last July, but still to be approved by the US Congress.

The agreement will open the way for American companies to sell nuclear technology

The Chinese Foreign Ministry was quoted by Xinhua yesterday as saying there is "no relationship of co-operation between China and Iran," and, "as to South Africa, the position of *the Chinese Government on this* question is known to all."

"China's co-operation in the field of nuclear energy with countries such as France, West *Germany, the U.S.*, Brazil and Japan, whether ongoing or under discussion, serves and will serve only peaceful purposes," the ministry said.

Australian inflation up

BY MICHAEL THOMPSON-NOEL IN SYDNEY

A 2.2 per cent inflation rate for the third quarter has boosted Australia's inflation for the year to September to 7.6 per cent, substantially higher than the country's major trading partners.

The latest figure casts some doubt on the Government's forecast of an 8 per cent inflation rate for the year to next June, against one of 6.7 per cent for the year to June 1985. Containment of inflation is one of the key promises of Mr Bob Hawke's Labor Government.

Mr Paul Keating, the Trea-*surer (Finance Minister)*, said yesterday he was still confident of the 8 per cent *forecast.* However Mr John Howard, the opposition leader, said the latest increase was the highest September quarter gain for *three years, and accused the* Government of complacency.

The markets showed no displeasure. The Australian dollar stayed steady, while on the stock market the Australian all-ordinaries index rose smoothly to a new record high.

Growth in total labour costs, continued strength of domestic demand, and *this* year's sharp depreciation of the local dollar have all contributed to Australia's high inflation rate.

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THE TIMES 1000

Rank by turn-over	COMPANY	Main activity	Accountancy period ended	TURNOVER Total £000
1 (1)	British Petroleum Co.	Oil industry	31-12-83	37,960,000
2 (2)	'Shell' Transport & Trading	Oil industry	31-12-83	24,411,000
3 (3)	B.A.T. Industries	Tobacco, retailing, paper, packaging, etc.	31-12-83	11,652,000
4 (4)	Imperial Chemical Industries	Petrochemicals, pharmaceuticals, etc.	31-12-83	8,256,000
5 (5)	Shell U.K.	Oil industry	31-12-83	7,807,000
6 (6)	Esso U.K.	Oil industry	31-12-83	7,565,200
7 (7)	Unilever Plc	Food products, detergents, etc.	31-12-83	5,355,000
8 (12)	Rio Tinto-Zinc Corporation	Mining & industrial – metals & fuel	31-12-83	4,811,000
9 (10)	General Electric Co.	Electrical engineers	31-03-83	4,625,500
10 (11)	Grand Metropolitan	Hotel props, milk prds, brewers, etc.	30-09-83	4,468,800
11 (8)	Imperial Group	Tobacco, food, drink and packaging	31-10-83	4,381,500
12 (16)	S. & W. Berisford	Merchanting & commodity trading, etc.	30-09-83	4,325,341
13 (–)	Philbro-Salomon	Commodity brokers, etc.	31-12-82	4,036,181
14 (13)	Ford Motor Co.	Motor vehicle manufacturers	31-12-83	3,585,000
15 (14)	BL	Motor vehicle manufacturers, etc.	31-12-83	3,421,000
16 (20)	Rothmans International	Tobacco, luxury consumer products etc.	31-03-83	3,411,732
17 (15)	George Weston Holdings	Food manufacturers & distributors	02-04-83	3,376,195
[redacted]				
19 (17)	Allied Lyons	Brewers, vintners, hoteliers, etc.	03-03-84	2,850,500
20 (19)	Dalgety	International merchants	30-06-83	2,842,000
21 (22)	THORN EMI	Elec. & electronic eng., music, etc.	31-03-83	2,715,900
22 (25)	Gallaher	Tobacco, optics, pumps & valves disbn.	31-12-83	2,579,700
23 (26)	J. Sainsbury	Retail distribution of food	24-03-84	2,574,800
24 (18)	Texaco	Oil industry	31-12-82	2,379,458
25 (23)	Lonrho	Mining, agric., textiles, constr., etc.	30-09-83	2,356,500
26 (28)	British Aerospace	Manufacture of aircraft, etc.	31-12-83	2,300,300
27 (29)	Tesco	Multiple retailing	26-02-83	2,276,600
[redacted]				
30 (31)	Courtaulds	Man-made fibres, textiles, chemicals	31-03-84	2,038,100
31 (33)	Bass	Brewers	30-09-83	1,988,400
32 (32)	Guest Keen & Nettlefolds	Steel & eng. products, fastenings, etc.	31-12-83	1,975,000
33 (110)	BTR	Construction, energy & electrical, etc.	31-12-83	1,969,500
34 (–)	Lonconex Holdings	Commodity brokers	30-09-82	1,881,600p.a.
35 (45)	Sears Holdings	Footwear, stores, engineering, etc.	31-01-84	1,846,000
36 (41)	Great Universal Stores	Stores & mail order	31-03-83	1,842,071
37 (38)	Boots Co.	Pharmaceuticals & consumer products	31-03-84	1,832,800
38 (36)	Reed International	Paper, packaging, printing & publishing	03-04-83	1,809,000
39 (30)	Tate & Lyle	Sugar refiners, commodity traders, etc.	01-10-83	1,783,700
40 (40)	BICC	Cable mfr., construction & elec. eng.	31-12-83	1,778,400
41 (35)	Mobil Holdings	Petroleum products	31-12-82	1,758,466
42 (37)	Inchcape	International merchants	31-12-83	1,741,874
43 (46)	Cadbury Schweppes	Confectionery, soft drinks, food, etc.	31-12-83	1,702,800
44 (54=)	Beecham Group	Consumer products, pharmaceuticals, etc.	31-03-83	1,702,400
45 (48)	BOC Group	Manfrs. of gases & associated eqpmt.	30-09-83	1,701,600
46 (53)	Conoco	Petroleum products	31-12-82	1,682,700
47 (76)	IBM United Kingdom Holdings	Information handling eqpt. mfrs.	31-12-83	1,677,162
48 (51)	Unigate	Dairymen & food manufacturers, etc.	31-03-83	1,662,100
49 (44)	Ranks Hovis McDougall	Food manufacturers and distributors	03-09-83	1,636,872
50 (47)	Bowater Industries	Paper manufacturers, intl. trading	31-12-83	1,622,700

1

Rank by turn-over	COMPAN
51 (43)	C. T. Bowring &
52 (49)	Dunlop Holdin
53 (34)	Burmah Oil
54 (56)	Associated Dai
[redacted]	
56 (57)	Rank Xerox
57 (54=)	Hawker Siddel
58 (65)	George Wimp
59 (60)	Metal Box
60 (59)	United Biscui
61 (52)	Rolls-Royce
62 (9)	P. & O. Steam
63 (66)	Woolworth H
64 (72)	Gill & Duffus
65 (80)	Plessey Co.
66 (58)	Lucas Indust
67 (61)	Britoil
68 (84)	Trafalgar Ho
69 (75)	Whitbread &
70 (62)	Union Inter
71 (68)	Internation
72 (266)	Argyll Food
73 (67)	Distillers C
74 (78)	Tarmac
75 (104)	Vauxhall M
76 (83)	RMC Gro
77 (102)	Johnson M
78 (69)	Littlewoo
79 (79)	Booker M
80 (94)	Glaxo Ho
81 (81)	Pilkingto
82 (74)	Babcock
[redacted]	
84 (73)	Northern
85 (90)	British E
86 (87)	Reckitt &
87 (97)	John Le
88 (98)	Philips E
89 (86)	Trustho
90 (101)	Rowntr
91 (64)	Louis D
92 (193)	Cargill
[redacted]	
94 (132)	Bunge
95 (122)	Standa
96 (89)	T. I. Gr
97 (77)	Brook
98 (71)	Dee C
99 (99)	Blue C
100 (95)	Coats

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OVERSEAS NEWS

Mexican bond issue is centrepiece of talks with Japan

BY JUREK MARTIN IN TOKYO

THE DIRECTOR-GENERAL of Petroleos Mexicanos (Pemex), the Mexican state oil company, arrives in Tokyo this weekend for substantive financial and commercial negotiations with Japanese officials.

On Monday, the director-general, Sr Mario Ramon Beteta, will be at the formal signing ceremony of a private placement of $40m worth of Pemex bonds with Japanese investors arranged by the Industrial Bank of Japan.

The placement will constitute the first fund-raising operation in international markets by a Mexican state agency since the country's debt problems started three years ago. The exact terms of the issue were still being worked out here last night.

Negotiations for the Pemex placement have taken place over the past two months, preceding the Mexican earthquake. Mexican officials here said that the placement's expected success might be followed by other government issues in future.

The placement, however, appears to be only the centrepiece of more wide-ranging negotiations between Mexico and Japan. Sr Beteta will also propose that Japan agrees to double its purchases of Mexican crude oil, now running at 160,000 barrels a day, over the next few years.

He will also explore the possibilities of Japanese purchase of liquefied petroleum gas (lpg) from Mexico. Japan is intent on diversifying its reliance on Gulf suppliers, who currently provide about 75 per cent of its annual 12m tonnes of lpg imports.

Sr Mario Ramon Beteta: seeking more gas exports

It emerged this week that Japanese companies were in negotiations with two new potential suppliers, Algeria and Venezuela. This, Mexican officials here believe, presents an obvious opportunity.

Connected with this, Sr Beteta will also be involved in what are said to be the final stages of negotiations for principally Japanese financing of additional facilities at the Pacific Petroleum Project in Salina Cruz. These are designed to improve the prospects for exports of both LPGK and heavy oil from Mexico's Pacific coast facilities.

Farm banks suffer loss of $522.5m

By Stewart Fleming in Washington

THE U.S. Farm Credit System, the largest lender to the depressed farming industry, suffered a $522.5m (£373m) loss in the third quarter and has warned that it may have to absorb loan losses of $3bn over the next two years.

The third quarter loss alone is greater than the $400m loss for the year which officials had been predicting until a few weeks ago.

There are fears that with no end in sight to what many economists say is a farm industry depression on a par with the 1930s, the farm credit system, a group of co-operative banks, faces the prospect of borrowers being unable to make payments on up to $10bn of its outstanding $70bn in loans.

The deepening financial problems of the Farm Credit System have already resulted in a sharp fall in the value of the $68bn of securities which the nation's sixth largest financial institution has issued on Wall Street.

The farm credit crisis is intensifying the political problems facing the Reagan Administration. Congress is debating a new farm Bill which could add to the budget costs of farm support programmes at the same time as a congressional conference committee is debating legislation which could force the President to make deep cuts in government spending.

The farm credit system itself is pressing for federal financial support. It is seeking a $10bn interest-free loan from Congress.

Farm bankers say that if the Farm Credit System is given a government bail-out then they too should get government support to help them with their farm related losses.

Mr George Irwin, chief economist at the Farm Credit System has warned that between 35 per cent and 45 per cent of commercial farmers will need to restructure their debts in the face of falling farm land and crop prices. A further 10 per cent to 15 per cent will have to stop farming altogether.

Tokyo may juggle figures to cool defence debate

BY OUR TOKYO CORRESPONDENT

JAPAN may yet succeed in limiting its defence spending to 1 per cent of gross national product (GNP) until 1987 by revising what makes up the GNP, according to complex calculations being made public here.

The GNP revisions are not due to be announced until December, but the Government is leaking in advance their likely content so as to try to cool the hot political debate over the level of defence spending which is now consuming the parliamentary session.

The temperature of this was raised further yesterday with the sharp denunciation by most of the opposition parties of the speech on Wednesday by the Prime Minister, Mr Yasuhiro Nakasone, to the UN General Assembly in New York. They charged that he had omitted some of the standard references circumscribing Japan's military role.

The GNP-defence spending equation is, of course, subject to one critical variable—the actual performance of the economy in the next two years. But, based on current economic assumptions, the thrust of the GNP revisions would be to allow the economy to expand less rapidly than would otherwise be needed to stay within the 1 per cent ceiling laid down in 1976.

The revisions, in essence, take more account of the actual composition of GNP in 1983 than in 1980, the old base reference year. They give greater weight to the wholesale, retail and services sectors (28 per cent of the total versus 24.4 per cent under the former standard) and less to manufacturing (29 per cent against 30.5 per cent).

Translated into the all important numbers, they suggest that the current year's nominal GNP will be revised upwards from its estimated Y314,600bn to about Y321,400bn.

Defence spending in the current fiscal year is Y3,137bn, or 0.997 per cent of GNP, or, viewed in money terms, a mere Y8.9bn under the limit. This margin would increase to Y76.9bn under the revised GNP calculations, enough even to accommodate the recommended 5.74 per cent pay increase for the military if it were implemented in full, which it probably will not be.

The proposed new Y18,400bn 1986-1990 medium-term defence plan implies a defence budget in the next fiscal year, starting in April, of around Y3,355bn. Without revising the GNP, economic growth would have to approach 7 per cent in order to preserve the ceiling, an unlikely achievement; with the revisions, a 4.5 per cent expansion, certainly achieveable, might suffice.

Quebec Premier calls election

By Robert Gibbens in Montreal

QUEBEC Premier Pierre Marc Johnson has called a provincial general election for December 2, in an attempt to maintain the momentum created by the change of Parti Quebecois leadership this summer.

The ruling PQ has narrowed the wide gap in popularity with the opposition Quebec Liberals under Premier Robert Bourassa. With the departure of former Premier Rene Levesque and several leading members of the PQ "old guard" and the shelving of the independence issue, Mr Johnson is being given an even chance of winning.

Both parties say they will reduce the size of the public sector, lower taxes, help job creation in the private sector and co-operate with the rest of Canada and the U.S.

AMERICAN NEWS

Gandhi appeals for halt to arms race

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN NEW YORK

MR RAJIV GANDHI, the Indian Prime Minister, told the 40th anniversary session of the United Nations General Assembly yesterday that international order and nuclear weapons could no coexist.

The world's military blocs must understand that stability could not be achieved through superiority or even a balance of weapons. It could only come through coexistence and disarmament, he said.

"New space weapons are conceived as ultimate deterrents. Response times are shrinking dangerously. Control of weaponry is becoming more complex. Action and reaction are being removed from the realm of human decision. The button threatens to press itself. The world is moving helplessly towards nuclear catastrophe," Mr Gandhi said.

The Indian Prime Minister commended the disarmament plan put forward by six aligned and non-aligned nations in New Delhi earlier this year known as the New Delhi declaration.

This called for an immediate halt to the testing, development and production of nuclear weapons, and their delivery systems. It urged that this first step must be followed by substantial reductions in nuclear stocks, leading eventually to the total elimination of nuclear weapons.

Mr Gandhi reiterated what he had said at the Commonwealth Heads of Government meeting in Nassau earlier this week, namely that every pressure must be rought to bear on South Africa to abolish apartheid and give Namibia its freedom.

"Only comprehensive mandatory sanctions will work," he said, in spite of the fact that he had put his name to a Commonwealth declaration on South Africa which fell far short of advocating such measures.

The Indian Prime Minister went on to say that Namibia remained enslaved notwithstanding the fact that 25 years had passed since the UN declaration on freedom for colonies and seven since the UN Security Council unanimously spelled out the steps for Namibia's independence.

"As the world enters the third millenium, the Pretoria regime refuses to learn the lessons of the second—that all people are equal," he said.

Zhao Ziyang, the Chinese Prime Minister, said that neither "deterrent force" nor "balance of terror" could ensure peace. Both these concepts were bound to lead to an intensification of the arms race.

China's initiative in cutting the size of its military forces by 1m men had demonstrated its firm opposition to the arms race.

Though he called on the two super powers to take the lead in reducing their nuclear arsenals, so as to create the conditions for their complete abolition, Zhao said the days when a few big powers could dominate the world had gone once and for all.

China, for its part, did not seek hegemony nor would it interfere in the internal affairs of other nations, he added.

France 'will maintain independent defence'

FRANCE will maintain its independent defence system until the superpowers give a clear lead in nuclear disarmament, M Roland Dumas, Foreign Minister, said yesterday, Reuter reports from the UN.

"Too often, the superpowers, forgetting their promises and commitments, have followed their own strategies, deaf to the appeals of the weaker," M Dumas said, addressing the 40th anniversary session of the General Assembly.

France expected the superpowers "to negotiate a reduction of their forces that will open the way to the process of nuclear disarmament which France could join when the time comes," he said.

President Ronald Reagan and Italian Prime Minister Bettino Craxi, who clashed over the Italian government's actions following the hijacking of the Achille Lauro cruise liner, agreed yesterday to let bygones be bygones, according to a U.S. official. Mr Reagan and Sig Craxi met for 20 minutes at the U.S. mission near the UN.

"Until then France will maintain the forces necessary for its security," he added.

"The President of the Republic recently repeated this in the strongest tones in response to proposals that were put to him," M Dumas said, referring to the recent meeting between M Francois Mitterrand and Mikhail Gorbachev in Paris.

At the meeting Mr Gorbachev's proposal for separate arms negotiations between France and the Soviet Union was rejected by M Mitterrand.

"French forces may not be taken into account in a negotiation which we approve of but in which we do not participate," M Dumas said.

M Dumas pledged his country's support for UN efforts to solve regional conflicts.

"The United Nations, far from being a mere onlooker, must participate actively in the solution of regional conflicts. France is ready to help," he said.

"The defence of the integrity and dignity of the human person, regardless of colour, religion and ideas, remains in our view the most noble task of the United Nations," he added.

UN

40th ANNIVERSARY SESSION

SEC may tighten rules on tender offers

BY WILLIAM HALL IN NEW YORK

THE U.S. Securities and Exchange Commissioners (SEC) is considering plans to tighten its rules on what constitutes a tender offer in a bid to crack down on alleged abuses in recent corporate takeover battles.

The proposed changes, which subject certain open market purchases to the U.S. laws governing takeovers, follow concern among SEC officials that some corporate bidders have taken advantage of laxity in the laws on tender offers.

The SEC is known to have ben concerned with the way Hanson Trust, a UK industrial holding company, bought a 25 per cent stake in SCM(a New York conglomeraate, within a few hours of having dropped its tender offer for the company. It tried unsuccessfully to block Hanson's share buying tactics in the courts.

There have been several other instances, including. Carter Hawley Hale's massive open market share repurchase to block a higher bid from the Limited department store group, which have also angered SEC officials.

Mr John Saad, the chairman of the SEC, told a congressional subcommittee yesterday that his agency hopes to propose new rules governing tender offers before the end of the year.

The proposed rules would force buyers of shares in target companies to give selling shareholders more time in deciding to tender their shares.

SEC officials are concerned about the proliferation of "creeping" tender offers in which large amounts of a target company's share are bought on the open market but not all shareholders are offered the same price.

A key principle in the Williams Act, which governs U.S. takeovers, is that both big and small shareholders should be treated equally.

In some recent cases, takeover bidders have acquired stock from a handfull of investors who specialise in speculating on takeovers.

Several well-known corporate predators such as Sir James Goldsmith, the Anglo-French financier and Mr Carl Icahn, the Wall Street investor, have gained control of companies by the so-called "creeping tender offer."

Exxon offshoot expands Canada oilsands project

By Bernard Simon in Toronto

ESSO Resources Canada, an Exxon subsidiary, is to expand its Cold Lake oilsands project in north-east Alberta at a cost of C$400m (£205m).

The expansion will raise Cold Lake's production to 15,000 cu m of bitumen a day in 1988. The first phase of the project, producing 3,000 cu m a day, came on-stream earlier this year. Total capital costs for the project are estimated at C$1bn.

The bitumen, diluted with hydrocarbon liquids, is carried by pipeline to the U.S. where most of it is used for road construction.

Several ambitious oilsands projects in Alberta were shelved when oil prices began falling in the early 1980s. But financial incentives, a narrower gap between heavy and light crude oil prices and expanding U.S. road construction have encouraged at least six groups to press ahead with new production facilities, in some cases scaled-down versions of their earlier plans.

Bitumen is recovered from the oilsands by injecting steam into a series of wells to thin the tar-like deposits. Esso plans to drill 2,300 wells over the 25-year life of Cold Lake.

Peru in contract talks with foreign oil groups

PERU'S radical new government is facing the first test in reconciling its nationalist rhetoric with pragmatic policy in negotiations which started this week for new operating contracts with three foreign oil companies—Occidental Petroleum, Belco and Bridas, writes Doreen Gillespie in Lima.

Their contracts were rescinded in an impromptu move by President Alan Garcia at the end of August. The President set a 90-day deadline, which expires on November 30, for new contracts to be signed.

The move, apparently taken without Energy Ministry officials, caused nervousness among the oil companies with at least one privately threatening to withdraw from Peru.

The Government is insisting the new contracts include re-investment of up to $600m which it says the companies received in tax credits over the past five years, but did not invest in new exploration.

The Government has not accused the companies of breaking the law. However, it is withdrawing the legislation which created the tax credits in 1980 in order to promote much needed exploration.

Officials say they recognise the need for foreign investment in oil exploration to sustain reserves, and the Government is working on the draft of a new law which will give additional incentives for oil investment.

Significantly the new law would also lift the ceiling of the acreage any one company can operate. This would benefit Royal Dutch Shell group which is interested in taking advantage of its existing infrastructure in the central and south-east jungle to extend exploration in neighbouring ears.

Shell the only other foreign company operating in Peru, was excluded from the August measures because it is still in the exploration stage. But it has expressed concern to the Government over the rescinding of the other companies' contracts.

Mexico's tourist industry has been hit badly by the quake. **David Gardner** reports

Hard currency earner falls on hard times

ON THE first confused day of the earthquake disaster that hit Mexico last month, a U.S. television crew making its way north from El Salvador attempted to get the pilot of its charter plane to divert to Acapulco, "to see if it's still there." Acapulco, Mexico's best known tourist resort on the Pacific coast is, of course, still there, but its business is not.

Though undamaged by the September 19 earthquake and the heavy aftershock the following day, Acapulco, like all Mexico's Pacific coastal resorts, has been virtually abandoned by its predominantly North American clientele, fearful of repeat quakes.

The five main tourist destinations on the Pacific—Acapulco, the twin resorts of Ixtapa-Zihuatanejo, Puerto Vallarta, and Manzanillo—are reporting occupancy levels down to 5-13 per cent in their hotels. Business in the two large Caribbean resorts of Canncun and Cozumel is also heavily down, according to some reports to about 20 per cent, though both were so far removed from the fault lines of the quakes that they could be in another country.

The Acapulco travel industry is reporting an average 1,000 cancellations a day this month with the late November to late April high season almost here.

Tourism is Mexico's second largest hard currency earner after oil, bringing in $1.97bn last year against $16.6bn in total oil revenue.

With oil earnings this year expected to drop by $2bn because of a softening international market, and now facing a restriction bill in excess of $5bn, Mexico can ill afford additional losses on its tourism account.

In the telex Mexico sent to its international bank creditors at the beginning of this month, the financial authorities forecast lost tourism receipts of over $300m this year. The Tourism Ministry had originally anticipated that gross earnings would rise to $2.2bn and net revenue—after allowing for the outflow from Mexican tourists going abroad—of over $1.5bn.

In the first half revenue was on target at just over $1.1bn, despite a threat by the U.S. State Department to issue a travel advisory warning U.S. tourists against travelling in areas like Puerto Vallarta and Guadalajara because of a number of incidents involving American citizens and because of the major row between the two countries over Mexico's growing role as a producer and transit country for narcotics reaching the U.S.

Mexico City's Regis Hotel . . . devastated by the quake

It is feared that the drop in next year's earnings could be far worse and that thousands of jobs could be at stake. The high season will come too soon, some people in the industry believe, for most potential visitors to have forgotten the images of colossal if localised destruction transmitted around the world after the quake.

The only real element now in Mexico's favour is the staging of the World Cup football competition next year which has been unaffected by the earthquake.

Particularly difficult to erase will be the image of the Hotel Regis in central Mexico City, collapsed and ablaze with a clock in the left foreground showing 7.19, pinpointing the moment the September 19 earthquake shook the area. The Government believes the effect of the earthquake had been exaggerated internationally and has launched a campaign to correct this, through its embassies and tourist offices abroad. The tourist industry is also sending out missions on its own account.

Initil reports reaching the outside world were, indeed, exaggerated, in large part because of a near total communications breakdown. Not only were Mexico's international lines cut but links between Mexico City and the rest of the country were broken, too. As a result, it took several days before a clear picture of damage on the coast emerged.

In the event, the authorities now stress, only one resort was affected, Ixtapa - Zihuatanjo, where seven hotels out of 37, accounting for just a third of the 4,122 rooms, have been closed for one to six months for repairs. But there was no structural damage to the buildings, they underline, and there were no deaths or even serious injuries.

The overall picture will nonetheless be distorted by what happened in the devastated central areas of the capital, even though it is not a major destination for the over 4.5m tourists (90 per cent of them from the U.S.) to come to Mexico each year.

Mexico's Federal District, or capital, has 507 hotels, of which 153, with 19,167 rooms, were located in the quake-hit areas. Of these, five, with 778 rooms, were reduced to rubble; eight, with 1,061 rooms, were "semi-destroyed"; 22 reported "major damage"; 25 have "minor" damages; 51 had "superficial" damages; and 42 were untouched, according to an unpublished official report. The same report says that 39 per cent of all damaged hotel space will be operational within the next 30 days.

Typically, the report does not even hazard a guess at the number of deaths in these hotels, in line with the Government's consistent equivocation over and attempt to minimise the extent of the human toll of the tragedy. Seven hundred people are thought to have died in the hotels, and, extrapolating from sample evidence from foreign embassies, probably 50 to 100 tourists perished.

The Government nevertheless has a point when it stresses that the human and material loss in the sector was relatively low given the ferocity of the earthquake and after shock (measuring 8.1 and 7.5 on the Richter scale), and that this speaks highly of construction standards in the tourist industry.

Over the last few years, Mexico has taken its tourism increasingly seriously. Since the 1982 financial crisis in particular, investment has rocketed and both the Government and private sector have continued to invest pesos to earn badly needed dollars.

In 1984, for example, total investment in Mexico rose, for the first time since the crisis, by 8.8 per cent. But investment in tourism grew more than five times, from pesos 17.1bn in 1983 to pesos 91.8bn, or roughly $500m at the time. The increasingly active state tourism development agency, Fonatur, which provides much of the expensive infrastructure for new sites, provided pesos 30.6bn of this in soft credit, and was this year to have made available a further pesos 25bn. Following the earthquake, however, it immediately earmarked a further pesos 15bn for reconstruction repairs and refurbishment.

More effort and money will nevertheless need to go into promotion to overcome the psychological effect of the earthquakes. It is not simply enough for Mexico to be able to offer U.S. tourists extremely good value for money with the strength of the dollar against the peso. Much hope is therefore being pinned on next year's World Cup football competition, which could put Mexico back in the world's shop window in one piece.

Michael Donne looks ahead to a fierce fight for ultra-long-range jet orders

Airlines take up cudgels for battle of the giants

BOEING'S success this week in winning a launch order from Northwest of the U.S. for its new ultra long-range version of the Jumbo jet, the 747-400, is likely to generate a new battle for orders with its rivals.

McDonnell Douglas is also seeking launch orders for its new DM-11 long-range tri-jet. Airbus Industrie of Western Europe is in the fight with a projected new version of the Airbus, the four-engined TA-11, which would be smaller than either the 747-400 or the MD-11, but still capable of ultra long range.

The 747-400 will carry a payload of more than 400 passengers over distances longer than 8,000 statute miles when it enters service in late 1988, making it the world's longest range jet airliner. The MD-11 tri-jet, which will also be available in 1988, will be somewhat smaller, able to carry about 277 passengers over distances of about 7,280 miles.

The Airbus TA-11's proposed capability would be about 250 pasengers over distances of 7,000 miles. Airbus has not yet formally committed itself to the TA-11, however, and is still refining its proposals in discussions with airlines.

It will need not only launch orders, but probably also financial support from the European governments involved in Airbus—the UK, West Germany, France and Spain—before launching the $2bn venture. By contrast, Boeing and McDonnell Douglas are already financing their new ventures from their own resources.

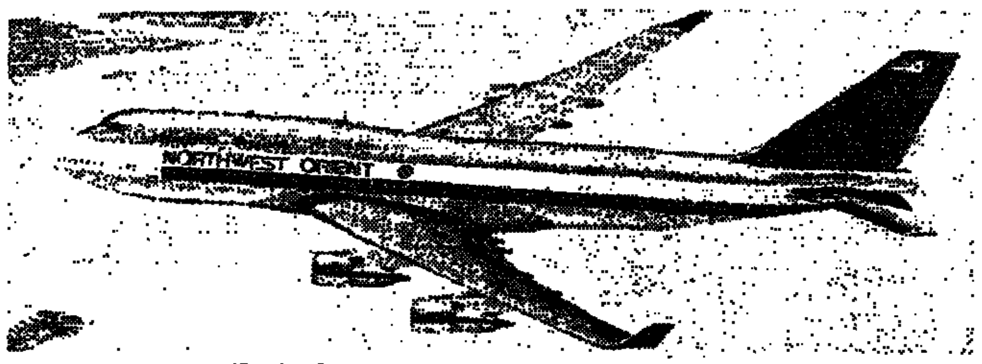
Airbus's main competitor is not likely to be the 747-400 or MD-11, but yet another new aircraft from Boeing, the twin-engined long-range version of the 767, called the 767-200LR, likely to become available in 1988, considerably earlier than the TA-11.

The 767-200LR will be capable of carying between 210 and 250 passengers over distances of 6,720 statute miles, much closer to the TA-11's capabilities, and with only two engines instead of the TA-11's four.

McDonnell Douglas is not worried about the fact that Airbus is in the fight. It believes its MD-11 can survive TA-11 competition. Nor is it too concerned about the 747-400, although it recognises the fierce fight that lies ahead. It believes that there are enough airlines world-wide who would be interest in the MD-11 to justify developing it as much to replace the DC-10 as to provide competition for Boeing.

McDonnell Douglas argues that many airlines want to see some alternative to Boeing anyway, now that the Lockheed TriStar is no longer in production, and it believes that the MD-11, in various versions, can meet anything Boeing can provide.

Airbus itself has to recognise that the TA-11, whilst being smaller than the 747-400 and MD-11, is also likely to be much later into service (coming in the early 1990s) than either of those aircraft, and even behind the more formidable 767-200LR. If Airbus wants to undertake the TA-11, it has no time to lose in formally committing itself to development and production some time in 1986.



Boeing's 747-400—the new Jumbo with winglets and extended top deck

Nevertheless, the market is likely to be big enough to enable each of these aircraft to find a niche. Boeing believes that its 747-400 will become the standard Jumbo jet for long distance flying in the late 1980s and the 1990s, although it will continue to offer the earlier Series 300 and 200B versions for as long as airlines want to buy them.

For there is now clearly emerging a demand for very long distance flying, over ranges that once were thought impossible to achieve. Already, non-stop flights from London to Singapore and Hong Kong are being undertaken, aided by the high altiude winds in that direction. Westbound non-stop flights with adequate payloads have so far been less easy to achieve, because of headwinds.

But many airlines now have plans for such flights, and in the rest of the 1980s and into the 1990s, non-stop operations between many places, such as Tokyo and London, Los Angeles and Sydney, Chicago and Seoul, Johannesburg and London, and Hong Kong and Seattle, are likely to become commonplace.

The market pattern for these long-range jets will vary widely, according to traffic densities on given routes. On some routes, a TA-11 may well be more suitable than a 747-400, because the traffic available could not sustain the high payloads and work capacity of the bigger aircraft.

Moreover, the cost of these new aircraft will be high—a 747-400 costs up to $120m—and even the biggest airlines will have to think twice about that kind of investment. Northwest has bought a large number of 747-400s because of its particular long overwater route network throughout the Pacific, other airlines may buy in smaller numbers.

All three major manufacturers have circulated all the big airlines with their plans, including such operators as British Airways, Japan Air Lines, Cathay Pacific, Qantas and Singapore Airlines. The last is understood to be especially interested in the 747-400, but has not yet taken any decisions.

With such a wide choice of aircraft confronting them, the purchase decisions will be difficult, and some airlines may opt for a "mix" of two or more types, according to their route networks.

The current emphasis toward long-range overwater operations by twin-engined airliners (especially across the North Atlantic) is also giving many airlines much to think about, although those flights pale by comparison with the ultra-long distances achievable with the 747.400.

In the meantime, Boeing is pushing ahead, confident that with its wide product range, it can meet any competition McDonnell Douglas or Airbus throw against it.

In design characteristics, there is little difference in size between the new 747-400 and the earlier stretched upper deck 747-300, which is still selling well. The main visible external difference is the bigger wing, with 6 ft more span on either side, and the "winglets" at the tips to improve aerodynamic efficiency.

Despite Rolls-Royce's share of the CF6-80C2, it will also be able to bid for engine contracts in its own right on the aircraft with its new uprated versions of the RB-211-524, the "D4C" and "D4D," designed to lift the thrust of that engine up to match the 54,000 lbs offered by the PW-4000 and GF6-80C2.

Britain to push for joint action with U.S. on Japan trade

BY CHRISTIAN TYLER, TRADE EDITOR

THE PROBLEM of Japan's persistent trade surpluses with the West should be tackled jointly by the U.S. and the EEC, according to a policy brief perpared by the British Government.

Mr Leon Brittan, Trade and Industry Secretary, will be making the case for a common line against Japan when he meets senior Administration officials in Washington next week.

The minister will warn of what Britain sees as the dangers of unilateral action against alleged unfair trade practices by Japan.

No mechanism for co-ordinating political pressure on Japan has been worked out. Mr Brittan is hoping, on his first U.S. visit in his new post, to get U.S. agreement to the principle.

The UK recognises that the Americans have greater influence over Japanese policy, both because of the size of their two-way trade and the personal relationship between President Ronald Reagan and Japan's premier Mr Yasuhiro Nakasone.

But Mr Brittan will argue that the EEC is equally determined to secure further market opening moves by Japan and to encourage domestic policy measures that will make the country more import-minded. Joint pressure could bring quicker results, he will say.

The British initiative may be prompted by fears that U.S. import controls against Japan would force Japanese companies to divert their exports to the European market, thus triggering a generalised trade war.

At the same time, Mr Brittan will try to avoid giving the impression that the U.S. and the EEC are in some sense "ganging up" on Japan.

This could be an important diplomatic point at a time when the rich nations, including Japan, are pressing for international trade talks and multilateral solutions through the General Agreement on Tariffs and Trade.

One of Mr Brittan's aims may be to deflect the U.S. from pursuing market access for particular products, such as electronic equipment and agricultural commodities, in which the US has a particular advantage.

Concessions by Japan to the US can sometimes hurt the trade of other countries—Australia, for example.

Although protectionist pressures in the US Congress appear to have abated, Britain is still worried about what it sees as the Administration's temporary loss of control over trade policy caused by the replacement of Mr William Brock by Mr Clayton Yeutter as US Trade Representative.

Mr Brittan will also be discussing renewal of the EEC agreement to restrain its exports of bulk steel to the U.S., which expires at the end of the month.

A subsidiary issue, that may or may not surface during the minister's visit, has been raised by a request by the U.S. Department of Commerce to send inspectors to Britain.

They want to "audit" the books of half a dozen high-technology companies to make sure they are not abusing a new U.S. export licensing system by selling to customers in the communist bloc which the U.S. considers unacceptable.

BP in £100m plan for Indonesia coalfield

BY DOMINIC LAWSON IN JAKARTA

BRITISH PETROLEUM wants to develop a coalfield in East Kalimantan, Indonesia, at a cost of more than £100m. The project would play a key part in BP's plans to expand rapidly its activities in Indonesia, and would involve developing the field in a 50-50 partnership with CRA, the Australian mining house. About 4m tonnes of coal would be produced a year.

Mr John Turnbull, president of BP Indonesia, also said that the company wanted to make acquisitions to expand its oil production in Indonesia, currently running at only 16,000 barrels a day, and that it is in the throes of a major investigation of all Indonesia's 40 sedimentary basins. The company intends to boost its Indonesian production to about 60,000 barrels a day over the next five years.

At the same time, BP is hoping to get government approval next year for a $400m (£285m) development of the Sulawesi gas field in Indonesia. BP has held talks with Mitsui of Japan, a likely buyer of the field's output once it has been converted into ammonia.

On a larger scale, BP has told the Indonesian Government that it would like to help in other ventures to convert the country's huge unused gas reserves via petrochemical plants into products required by consuming countries. There is a world gas glut which rules out direct sales of Indonesian gas in large quantities.

These plans form a key part in BP's strategy to base 5 per cent of its assets in South-East Asia within five years. At the moment, less than 2 per cent of its assets are based in the region.

Japanese win $94m Saudi plant order

By Finn Barre in Riyadh

THE Saudi National Chemical Fertiliser Company, a joint venture between Saudi Arabian basic industries (Sabic) and Saudi Arabia Fertiliser Company (Safco) has awarded a $94m (£67m) construction contract to Toyo Engineering of Japan.

Toyo is scheduled to begin construction immediately on thep roposed 500,000 metric-tonne plant, located in Jubail. The plant is expected to begin production in 1988. The contract is for construction of the plant and a storage complex at nearby King Fahd Industrial Port.

Tokyo link for Saatchi and Saatchi

By Carla Rapoport in Tokyo

SAATCHI & SAATCHI Compton Worldwide of the UK and Asahi Advertising, the ninth largest advertising group in Japan, will next week sign an agreement establishing a "global network of co-operation."

The deal is not expected to involve a susbtantial capital investment by either company, but rather will allow each group to assist the other's clients in their overseas markets.

Asahi Advertising has about 850 employees and 29 offices in Japan. Its major corporate clients include Japanese department stores, Suntory the drinks group, Kikkoman, the food and soy sauce company. Pepsico in Japan, and many others.

Seoul to ease hiring ban on construction groups

BY STEVEN B. BUTLER IN SEOUL

THE SEOUL Government is moving to free South Korean construction companies from rules that prohibit hiring more than 30 per cent non-Korean employees on overseas projects. The move is an effort to reduce labour costs and increase the competitiveness of South Korean construction contractors.

The new rules would represent a major revision of Government strategy in the overseas construction market. South Korea's push into the international construction business in the 1970s was intended to expand employment for South Korean workers and to earn foreign exchange.

Reducing the number of South Korean employees on job sites would greatly affect both these goals, since a major portion of foreign currency wages received abroad are remitted to South Korea.

South Korean construction companies, however, have been squeezed by the rising cost of employing their own nationals. According to statistics of the Overseas Construction Association of Korea, the average monthly pay for a South Korean worker overesas is $1,220 (£87) compared to $787 for Filippinos, $611 for Thais, $587 for Indians, and $438 for Sri Lankans.

South Korean companies recently have found themselves underbid on a number of major projects in the Middle East, where once they were able to command the market for basic civil engineering projects.

In the first nine months of the year, South Korean construction companies received overseas orders amounting to just $2.9bn. This compares with $5bn in the same period of 1984. Orders for the year are expected to fall below $5bn for the first time since 1978, after hitting peaks of over $13bn in 1981 and 1982.

Overseas employment in the industry had fallen to 118,000 in March, after creeping close to 200,000 earlier in the decade.

The exact percentage of non-South Korean employment to be allowed is still under negotiation among Government ministries, with the Labour Ministry apparently trying to protect jobs for South Korean workers.

Some Korean companies have already started to ignore the current 30 per cent limit in an effort to reduce costs.

Securicor began modestly in 1935, guarding premises.
Now over 5,000 vehicles deliver £60 billion cash, 40 million pay packets and 50 million parcels and packages annually through our international network.
We also operate one of the largest private radio communication systems in Europe.
Perhaps a greater achievement than all of this is the trust our clients have in us.
Which is why we intend to be even more vigilant and valiant over the next 50 years.

SECURICOR
50
YEARS OF SERVICE
1935-1985

UK NEWS

Peter Riddell runs a rule over the opinion poll-ratings

Parties locked in a tight three-horse race

POLITICAL PARTIES are now back to roughly their same relative standings in the opinion polls as in the early and mid summer following the end of the conference season.

The latest Marplan and Gallup surveys in the Guardian/Daily Telegraph *respectively*, put Labour in the lead at about 36 per cent ahead of the Tories at 32 per cent, and the Alliance at roughly 30 per cent.

These figures are broadly the same as the average for the May-August period for each of the parties. This follows *sharp fluctuations* in the level of support recorded in *September* and early October in response to the heavy television coverage given to each successive party conference.

Initially, the Social Democratic Party/Liberal Alliance boosted its support to over 35 per cent, after the SDP and Liberal conferences. Then Labour staged a strong recovery after the successful assertion of *leadership by Mr Neil Kinnock* three weeks ago.

Mr Kinnock has improved his own personal rating as a party leader and potential Prime Minister to well above levels recorded throughout this year. By contrast, the rating of Dr David Owen and Mr David Steel the Alliance leaders have *fallen back, and somewhat unexpectedly*, Mrs Margaret Thatcher's rating has improved over the past month or so.

The improvement in Mr Kinnock's standing is significant in that he has lagged behind his party for most of the time since he was elected, consequently his party conference speech may have helped not only him but also his party. Conservative support has proved to be remarkably stable throughout the *summer in the 31-33* per cent range, with the main switches taking place between Labour *and* the Alliance.

On a long term comparison going back to the beginning of this year Conservative support has slipped by roughly 6-7 percentage points, mainly benefiting the Alliance which has moved up from around 25 per cent in January and February. *After its successes in the May* municipal elections at the Brecon and Radnor by-election in July and at its conferences, Alliance leaders will be well pleased to hold support at around 30 per cent now that they are entering a period when they are likely to receive less publicity. They regard this as a good base *for the* future.

Labour support is now broadly the same as at the beginning of the *year*

The implication is that the three party groupings are in tight competition within the electorate. If these figures were reflected at a general election there would be a hung parliament with Labour holding the largest number of seats though well short of an overall majority and the *Alliance holding the* balance of power.

Some senior Tories, however, believe that Labour is in a better position than it might have expected after the conference season.

OPINION POLLS

	Cons	Lab	Alliance
May*	33	36	29
June*	32	35	31
July*	32	36	30
Aug*	31	36	31
Sept*	31	33½	33½
Oct			
⅓ MORI	34	36	28
¾ Harris	32	39	27
5 NOP	33	38	28
10/14 Marplan	32	34	32
18/21 Gallup	32	38	28

Other parties average 1 to 2 per cent in all polls
** average*

Britain and U.S. to meet in bid for SDI accord

BY BRIDGIT BLOOM, DEFENCE CORRESPONDENT

MR MICHAEL Heseltine, the Defence Secretary, *is to meet* Mr Caspar Weinberger, the U.S. Defence Secretary, in Brussels on Tuesday in an effort to work out final terms for Britain's participation in the U.S. so-called Star Wars research programme.

The meeting will follow a special session of the Overseas and Defence Committee of the Cabinet on Monday. This is expected to empower Mr Heseltine to seek specific assurances that Britain will receive a substantial share of the work involved in the $26bn U.S. programme.

British officials say two important points of difference remain, following the conclusion of a two-month-long study by officials from both sides on the problems of British participation in the Strategic Defence Initiative (SDI) research programme.

These centre on Britain's request for a guaranteed $1.5bn share of the work – made by Mr Heseltine with the approval of Mrs Margaret Thatcher, the Prime Minister, last July – as well as negotiation of satisfactory arrangements on U.S. rules on the transfer of sensitive technologies both to Britain and third countries.

UK officials yesterday pointed out that the joint working group had made considerable progress in *narrowing what had* appeared earlier this year to be serious differences. The U.S. and UK officials have, for example, drawn up a draft memorandum of understanding for possible signature.

They have also identified 18 main areas of research where British *companies, universities* and research institutions could win con*tracts in the next five* years. *Outline* "work packages" in each area have been drawn up.

British officials also say satisfactory conditions on so-called intellectual property rights on research in Britain have been negotiated in outline.

However, officials on both sides acknowledged yesterday that agreement would be possible only if substantial political compromises were made.

The sticking point for the U.S. is Britain's demand for a guaranteed workshare. When Mr Weinberger last March issued the U.S. invitation to 18 governments to participate in the SDI programme, the *U.S. Administration had in mind* gradual co-operation on what it termed "pathfinder projects."

Trade gap widens as export volume falls

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S VISIBLE trade gap *widened in the third quarter of this* year as the volume of exports fell, but the *strong* performance of invisible earnings kept the current account of the balance of payments firmly in surplus.

The Department of Trade and Industry said yesterday that the current surplus last month was estimated at *£200m little changed* from the £206m in August.

The latest *three months*, however, do show a marked weakening of Britain's export performance after the buoyant growth around the turn of the year. The volume of exports fell by 4½ per cent between the second and third quarters, more than offsetting a 2½ per cent drop in imports.

Part of the explanation was a sharp reduction in oil exports as *North Sea production was held* down by routine maintenance work. If oil and erratic items are excluded, however, exports were still 1½ below the level in the second quarter.

Industrialists have blamed the downturn on the sharp rise in the exchange rate since the beginning of the year, although some levelling off was, anyway expected in re*sponse to the slower growth* in world trade.

Some economists also believe that the latest figure may be understating the actual level of overseas sales because of problems in adjusting them for seasonal fluctuations.

In Whitehall, officials were pointing out that despite the recent trend *Britain has* been *holding its share* of export markets, and sales are *still* 4½ per cent higher than a year earlier.

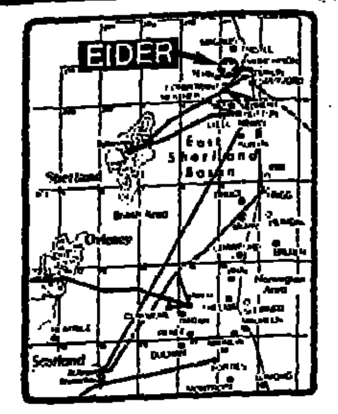
The outlook, though, does not appear auspicious. Britain's unit costs have been rising much faster than those of its major competitors and the Government has made it clear that *it is* not prepared to compensate for the loss in competitiveness by *allowing the exchange rate to* fall.

The Treasury anticipates slower export growth in its economic forecasts for 1986, when it expects higher consumer spending to take over from exports and investment as the main engine of economic growth.

Officials seem *confident*, however, that the current account surplus for the whole of this year will come close to the *£3bn forecast at* the time of the March budget.

Although the surplus over the first nine months was only £1.4bn, the current account is expected to benefit form a surge in oil exports and from a £500m European Community rebate in the fourth quarter.

The Department said that in September alone exports rose by £54m to £6.1bn, while imports rose by £59m to £6.3bn. The visible trade deficit of £200m was more than offset by an estimated *£400m* surplus on trade in invisibles.



£640m Eider oil field plan approved

By Max Wilkinson, Resources Editor

THE GOVERNMENT gave final approval yesterday for a £640m development plan for the Eider North Sea oil field, about 100 miles north-east of the Shetland Islands.

The announcement by Mr Alick Buchanan-Smith yesterday brings the total value of North Sea projects approved this year to £1.7bn.

The Eider platform, to be developed jointly by Shell and Esso, is the first in deep water to be *fully* automated and operating as a satellite from *platforms in neighbouring* fields.

Only minimal processing will be done on the platform before oil is sent to the nearby Tern and *North* Cormorant fields to be processed *further and piped to the mainland.*

A power cable will also be laid to the North Cormorant field, so that the Eider platform can export surplus power in the *early years and* import it later as gas reserves run *down.*

These innovations have enabled the operators to save some £100m on the cost of the platform, Shell *says.*

Yesterday, Mr Buchanan Smith said: "Eider is an important new project at a time when companies encouraged by the *1983* fiscal changes are actively looking at developing smaller *satellite North Sea* oilfields."

He said that both the two other oil field projects he had approved this year, at Tern and Scapa, *fell in*to this category.

Shell is expecting that abo £300m in contracts will be placed next year for the jacket and topsides of the Eider platform. About *1,500 jobs are expected to be se*cured over a two year period with *several thousand other jobs provid*ing additional services and equipment.

The Eider field, discovered in *1976, is thought to contain about* 85m barrels of oil and could be producing some 40,000 barrels per day by 1991.

Groups from U.S. among bidders for Thorn unit

By Guy de Jonquieres

THORN EMI, the troubled consumer electronics and entertainment company, has received approaches from more than 30 possible bidders for its screen entertainment division.

The company also plans soon to seek partners to invest in Inmos, the loss-making microchip subsidiary which it acquired last year. It has already received two inquiries and expects to start talks with interested groups in the next few months.

Sir Graham Wilkins, chairman of Thorn EMI, said in an interview that screen entertainment was the business which "fits least well" with the company's plans. He declined to name the companies which had expressed interest in the division and in Inmos, although they are understood to include U.S. groups.

Morgan Grenfell, Thorn EMI's merchant bankers, are circulating a dossier of information about the screen entertainment division to prospective bidders. This is intended partly to help to fix a market price for the business, which is proving hard to value.

The management of Thorn EMI screen entertainment is interested in buying the division, which made profits of £11.9m on £132m turnover in the year to March. Mr Gary Dartnall, its chairman, is seeking to raise finance in the U.S.

Sir Graham, who took over after Mr Peter Laister was ousted as Thorn EMI's chairman and chief executive last summer, said losses at Inmos were still running at about $2m a month. He hoped recent cost-cutting would restore it to break-even by next March.

He said the recently-launched transputer – an advanced computer on a chip – was vital to Inmos's future and that it was doubtful if Inmos could survive if the product was not a commercial success.

He also said:

- Thorn EMI was reviewing the product mix of its domestic appliance businesses. Its food preparation and kitchen equipment activities were profitable and it was investing £7.5m in an automated plant to make microwave ovens in Spennymoor, Durham. The market for washing machines and refrigerators remained depressed by excess capacity throughout the European industry.
- The company was "de-emphasising" its cable television operations. It did not plan to pull out of the business but expected to limit its involvement to its two existing systems in Coventry and Swindon, Wiltshire.
- Thorn EMI planned to keep its music division, which had fared poorly in the U.S., and its lighting business, which it had previously considered selling.

MPs accused of immigration rules abuse

By Kevin Brown

SOME MPs were accused in the House of Commons yesterday of abusing immigration rules to gain temporary permits for overseas visitors denied entry by immigration officers.

Mr David Waddington, the Home Office Minister responsible for immigration, warned that the system was in danger of breaking down because of the number of representations being made to the Government.

He told MPs: "Recently, cases have come to my attention where Members (of Parliament) have actually invited people to come to this country, knowing they have no claim to enter, telling them they have only to mention the name of the MP and temporary admission will be granted to them."

Mr Alf Dubs, Labour's immigration spokesman, said Mr Waddington was trying to avoid questions about immigration policy by sheltering behind "the unacceptable policy of attacking members of this House."

Mr Waddington also said the immigration service was being strained because of the arrival at Heathrow Airport, London, of large numbers of young men from Bangladesh "in the most suspicious circumstances."

BBC and independents discuss Euro-Channel

BY RAYMOND SNODDY

THE BBC and the independent television companies (ITV) are moving towards co-operation on setting up a television channel to be delivered by satellite to cable networks in Europe.

The aim is to create a "Best of British" channel which will have the pick of all four of Britain's television networks.

Mr David Plowright, chairman of the Independent Television Companies Association (ITCA) and managing director of Granada Television, led an ITV delegation in talks with the BBC last week.

The BBC, it is believed, does not want an equity stake in the so-called SuperChannel venture, which might cost about £20m to launch although companies would be paid for individual programmes.

Discussions are concentrating on making BBC programmes available for the channel, which could be launched in May 1987.

Mr Plowright said yesterday: "I look forward to exploring further the possibility of co-operating with the BBC in SuperChannel." He believed that together the two organisations could provide a professional and attractive channel for Europe to compete with Mr Rupert Murdoch's Sky Channel.

The aim would be to carry live breakfast television and news bulletins and general schedules stripped of parochial British programmes.

The ITCA council will decide next month whether to go ahead with SuperChannel.

Mr Plowright is having further talks today with Mr Alasdair Milne, director general of the BBC.

One of the problems is ensuring that what Mr Plowright calls "the minimum requirements of vanity" between traditional rivals is attended to. One question that arises is whether BBC news as well as ITN's should be carried. The BBC is particularly keen to ensure that a wide range of its programmes would be shown.

Mr Plowright wants to foster the co-operative links with the BBC forged during the abortive discussions on direct broadcasting by satellite.

It is less clear how enthusiastic all his ITV colleagues are for this co-operation.

- Sixty-seven per cent of British people favour allowing advertising on BBC television and radio, says an opinion poll by MORI published yesterday.

Terry Povey looks at bank's involvement with the Sipra shipping and film empire

Pressure grows for public airing of JMB affair

DEMANDS ARE being made in parliament for a public airing of the way the Bank of England has handled the affairs of Johnson Matthey Bankers (JMB) in the year since the £250m rescue was mounted. Treasury ministers are, in private, expressing increasing anger at the Bank's failure to keep JMB out of the headlines.

In the House of Commons this week Mr Brian Sedgemore, the Labour MP, put forward a motion alleging that "members of the Bank of England conspired with each other, with Mahmoud Sipra and his solicitors and with others to utter forged documents in relation to $27m arising out of the JMB collapse."

Replying to Mr Sedgemore in writing yesterday Mr David Walker, chairman of JMB and an executive director of the Bank of England, categorically denied the fraud allegations made by the MP.

Of central importance is the attempt by JMB to come to some resolution of the $70m owed it by Mr Sipra's shipping and film empire, the troubled bank's largest single debtor. Mr Sipra is an entrepreneur, born in Pakistan.

When Bank of England officers looked at Mr Sipra's accounts with JMB in the last week of September 1984 they found some $27m in cash. The assets of the Sipra empire consisted of three ships worth an estimated $1.5m (a fraction of their purchase prices), one completed film, and one on which production had not started. In addition there was an unopened film studio in Ireland, the lease and furnishings of a plush office, some cars and the equity in a large town house in Regent's Park, in central London.

The Bank also found a report by Arthur Young, previously auditors to JMB, on the state of the Sipra empire prepared only weeks before the rescue. Armed with this, the new administration at JMB moved swiftly. Within a week receivers had been put in and applications made to the courts for the appointment of liquidators for seven Sipra companies.

Within weeks Mr Sipra had started a $300m action in New York against JMB and the Bank of England claiming that they had broken agreements with him and destroyed his businesses.

It was April this year before JMB and Mr Sipra began seriously to talk again. The ice was broken over a small matter. Mr Sipra was unable to cover the bills on his home in the splendid Nash regency terraces overlooking the eastern side of Regent's Park.

The building society was threatening to force the sale – so Mr Sipra asked JMB to release the house to him for a payment of £85,000, although the equity in the house was estimated at around £300,000 by Mr Sipra and a valuer.

According to Mr Walker an independent valuation obtained on the house by the bank valued it at £450,000. Taking into account the time required to sell the house and interest obligations on the existing mortgage, "JMB's advisers were and are satisfied that the sum of £85,000 represented a very full recovery," he said.

"In no way could this transaction be construed as a gift to Mr Sipra, nor did the recovery form part of any other arrangement with him."

But JMB appeared more in the mood to attempt to reach settlement with Mr Sipra. These negotiations were handled by two executives of Hambros Bank, which was working in an advisory capacity to JMB.

There were three specific areas in which Mr Sipra could assist the bank. The U.S. court case had to be dropped; then there was the matter of an apparently badly executed first claim by the bank over the studio. Finally and most knotty of all, there was the authority for taking the $27m in the accounts.

The court case issue was finalised in June. In a letter to Mr Sedgemore, Mr David Walker, said the bank agreed to drop various UK court actions against Mr Sipra in return for withdrawal of his U.S. case. Mr Walker also acknowledges that JMB accepted a sum of money to drop the bank's claim on the house.

Mr Brian Sedgemore (left) and Mr Mahmoud Sipra

Mr Michael Grant, a solicitor working for Mr Sipra, claims that there was a close relationship between the generous settlement on the house and the dropping of the $300m court case. "There was a two-page agreement in June. The main point was Mr Sipra's stopping the action in New York and there were the financial terms, one of which was about the house," he said recently.

The bank's action on the house was seen as a "sign of good faith" on its part that "allowed the house to come out of the general pot," added Mr Grant. The pot referred to is the pool of funds available to the liquidators of the Sipra companies to pay all creditors.

On the Irish studio, JMB drafted a letter for Mr Sipra to sign giving it undisputed right to the funds raised from its sale. This he has refused to do and, according to Mr Walker, the matter is now being dealt with in the Irish courts.

The $27m found in the various Sipra accounts has presented the biggest problem. While none of it would ever have gone to Mr Sipra – it either belongs to the bank or the liquidator – he was keen to use the money as a bargaining counter to win a favourable settlement. Proposals went back and forth between the bank and Mr Sipra and both sides' lawyers.

At one point Mr Sipra appears to have been willing to sign some backdated letters giving the bank full authority to the $27m. But in exchange he wanted $2m, two ships, the Irish studios for a £300,000 payment, and the Khyber Horse film company for a nominal sum, said Mr Hussein Shah, his accountant.

Mr Grant says that the bank put forward a counter-proposal. In exchange for a £1m consideration paid by Mr Sipra within one year and for the signing of an appropriate authority for the $27m it would drop all further claims. This proposal came in the form of a four-page document, said Mr Grant, but Mr Sipra would not agree to it as he was seeking some cash with which to go back into business.

The JMB chairman agrees that an attempt was made to reach a settlement with Mr Sipra. In a letter to Mr Sedgemore on October 7, he said: "At an earlier stage the possibility of a settlement with Mr Sipra was explored, in the hope that JMB might thereby recover a substantial sum. But JMB received legal advice not to proceed with the proposed arrangement..."

Yesterday Mr Walker said: "On September 28 1984, acting on telex and oral authorities dated and received on that day, JMB transferred and set off certain balances of accounts of companies within the El Saeed group... Subsequently, further balances were set off by JMB in reliance on powers conferred by security documents already in existence when the Bank of England took control."

Mr Walker added: "Mr Sipra has been invited to sign letters confirming the oral authority he personally had given to make the transfer on September 28 1984... Although there were extended discussions with Mr Sipra, no suggestion or proposal was put forward at any stage by JMB or its advisers that any agreement should be predated."

Mr Sipra claims he refused to go along with the scheme because he thought he was being asked to do something illegal. "Why should I risk going to jail for them? They had ruined me," he said.

The court-appointed liquidator for five of the seven Sipra companies being wound up, Mr Peter Copp, of Stoy Hayward, is greatly concerned at these developments and is seeking legal advice as to how they might have infringed on his role, in which he must act for all creditors without preference.

The outlook for the unsecured creditors of Mr Sipra's companies looks bleak. Claims for almost £4m have been made against the five companies being handled by Mr Copp on top of the debts to JMB.

On October 12 Mr Sipra left the UK, his destination unknown to lawyers and aides. What is certain is that we have not heard the last of the man who ran a group of companies which became JMB's largest debtor.

UK NEWS

BRITAIN AND W. GERMANY TO SUPPLY 20% OF VEHIC LE COMPONENTS

Europe's part in Nissan's cars

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE EUROPEAN content of the cars Nissan of Japan will assemble in Britain, starting next summer, will be much higher than originally anticipated.

About 20 per cent of the cars' content, measured by the money spent to buy kits from Japan and components from elsewhere, will be supplied from the UK and West Germany.

Thirty-two components, involving 520 individual parts, were sent this week to Japan for final tests.

Mr Ian Gibson, director of purchasing and production control for Nissan Motor Manufacturing (UK), says he is confident they will all pass and be included in the cars from the start of production.

The cars will be produced at the Tyne and Wear, north-east England, factory which will be assembling kits from Japan at the rate of 24,000 a year.

Among the UK-based suppliers involved in the initial phase are Triplex, supplying glass: Britax, mirrors; ASE (Kangol), seatbelts, Firth, carpets; Dunlop, tyres; and Lucas, alternators.

The project has already sparked some joint-venture arrangements involving British and Japanese groups. TI has linked with Nihon Radiator and they will establish a joint venture to produce radiators for the Nissan plant.

Another TI company, Fulton TI, will supply brake and fuel tubes to Nissan in Britain and will use multiple bending expertise supplied by Sano.

Hoover Universal and Ikeda Bussan, a Nissan subsidiary, have established a joint venture to produce seats and headlinings for the medium-sized car – the sucessor to the Stanza – which Nissan will assemble.

Kanto Seiki will supply tooling to NP Ecko, a Courtaulds subsidiary, so that right-hand-drive versions of the instrument panels can be made in Britain as well as the plastic bumper.

Mr Gibson says Nissan has asked Fulton TI to set up a small satellite plant in the Washington area in Tyne and Wear from which to supply brake and fuel tubes. These could be damaged during delivery in full-assembled form, he says.

Hoover Universal and Dunlop, now a subsidiary of Sumitomo of Japan, already have facilities near Washington.

Mr Gibson predicts that "some, but not many," other satellite plants would be attracted to Washington during the first phase of the Nissan project because the scale of production was too small to attract a big influx.

When Nissan began the search for European components, it looked first at those available in the right quality in Europe and which were costly to ship from Japan, as well as others which could readily be adapted to fit the car to be assembled.

All the components have been identified since February and the companies involved have less than a year to get them ready for the pre-production work starting next January.

This is particularly impressive because in not one case could the original Japanese engineering drawings or specifications be used.

Mr Gibson says his team is already looking at a second tranche of components which could be sourced in Europe. Most of them would only make a viable proposition if Nissan decided – in mid-1987 – to go ahead with a second phase to manufacture 100,000 cars a year at the Washington factory with a European content of at least 60 per cent, rising to 80 per cent as quickly as possible.

Items in the second tranche, including the rest of the interior trim and some of the car's systems – for example, braking system, steering system, springs and dampers, cooling and ventilation – would be considered for local production.

Mr Gibson makes it clear that the intention is to "Europeanise the car to be produced at Washington, but only if the second phase goes ahead."

Meanwhile, the selection of 250 shop-floor workers has reached a new stage. Each night this week about 100 applicants for the £8,500 a year jobs have been taking aptitude tests.

About 11,000 people (but only about 500 women) applied for the 250 jobs and Nissan spent a week whittling the list down to the 2,500 who are taking the tests.

This week the numbers will be reduced to 1,500 for further tests. Finally, 750 will be interviewed.

Mr Peter Wickens, the personnel director, says Nissan is looking for people with a flexible attitude because they will be expected to do a wide variety of shop-floor jobs.

"We are looking for individuals who can contribute to the furtherance of the team as a whole. We believe in team work and need individuals willing to go in the same direction as the team."

Property transfer reforms 'unwelcome'

BY RAYMOND HUGHES

GOVERNMENT PLANS to open up conveyancing – the legal transfer of property to banks and building societies – would lead to a house transfer system no-one really wanted and which would not protect and serve the public, the president of the Law Society said yesterday.

Proposals were not based on what was best for the home-owning public but on undertakings the Government had given, in haste and in a confused political situation 18 months ago, Mr Alan Leslie told the annual conference of the society, the governing body of the solicitors' side of the legal profession.

The proposals included:

● Licensing financial institutions to offer conveyancing services to people other than their own borrowers.

● Licensing associate conveyancing companies set up by groups of banks or building societies, where no single institution owned more than a certain proportion of the subsidiary.

● Allowing estate agents to offer conveyancing services to house sellers, but not buyers.

Mr Leslie said the package was extremely odd. The financial institutions intended to benefit could not understand the proposals and did not welcome them. No building society would want to spend its members' money establishing a conveyancing service available only to non-members.

To take advantage of the subsidiary company provision, institutions would have to agree to pool resources, profits and policy in a vehicle from which each would have to withhold its own corporate identity.

The third element had been devastatingly attacked by leading estate agents who made their living by creating chains of interlocking transactions.

Mr Leslie spoke in favour of an independent tribunal for dealing with complaints against solicitors – one of the issues at present exercising the profession and one on which its ruling council is divided.

A report commissioned by the Law Society from Coopers & Lybrand proposes that the investigation and adjudication of complaints should be transferred from the Law Society to an independent solicitors' complaints board with power to deal with negligence and misconduct by solicitors and authorise payment of compensation out of a special fund.

Mr Leslie said that complaints against solicitors were a matter of legitimate public concern and should be investigated by a body with the maximum of independence in which the public had confidence. The task of disciplining erring solicitors, however, should remain that of the Law Society. That, Mr Leslie suggested, was not a proper area for public involvement.

Within its limited powers the society has shown that it could be tough on members who failed to live up to high professional standards. Disciplinary proceedings were taken against 60 solicitors a year, of whom more than half were barred from practising again.

Mr Leslie said that this did not indicate a profession which was protecting its members from the consequences of failure. He added that next year Britain would lead the world by making available the advice of solicitors to suspects in police stations as a right in law. "This will amount to a revolution in criminal practice," he said.

THE U.S. ECONOMY

The forest fire of disinflation

By John Rutledge

THE AMERICAN economy is out of control; at least, out of the Government's control. The disinflation which the Federal Reserve started in 1979 is now racing across the country like a forest fire. And although the Fed started it, it does not have the ability to call it back.

The textbooks tell us that when government officials pull the levers of economic policy, things are supposed to happen. Increasing budget deficits are supposed to stimulate demand, raise economic growth and push interest rates and inflation higher. Rapid money growth should produce more growth and more inflation. Congress has given us rising deficits, and the Fed has run the printing press around the clock for nearly a year. And yet inflation is *falling*, interest rates are *lower*, and economic growth has *slowed*. Does nobody out there read the textbooks? And if government policy makers are not in control, then who is?

I believe the U.S. economy has entered Phase II of the 1980s disinflation, and that it is now being powered more by the actions of private investors and managers than by government policy makers. In Phase I a tightening of Federal Reserve policy and the gradual break-up of Opec's monopoly grip on oil prices pushed inflation lower. Private investors and corporate managers, initially sceptical of the Government's commitment, did not take major steps to get in line with low inflation. But in Phase II, inflation has been low enough, for long enough, to indicate that it may be here to stay, and that is beginning to affect people's behaviour.

Investors and business executives are falling over each other in their new-found zeal to "restructure" for low inflation by selling their surplus fixed assets, repaying debts, repurchasing their own shares and trimming costs. These restructuring activities push the prices of fixed assets down, in order to clear the market of unwanted refineries, box cars, drill rigs and office buildings, and raise the prices of bonds and stocks to clear the market of excess demand for financial assets. And these price movements are wholly independent of current economic policy.

In Phase II, the course of inflation and interest rates is determined more by private restructuring activities than by policy impulses from the Government. In the same way that a diesel engine continues to run after you switch off the ignition, the momentum of Phase II restructuring will continue to push inflation and interest rates lower until restructuring activities are complete, regardless of near-term Fed policy.

Phase II deflation pressures are caused by the overleveraged condition of U.S. balance sheets. These receive little attention from most macroeconomic analysts who are fixed on national income accounts and other flows of funds. But balance sheets are crucial, if only because they are so large.

At the end of last year, the balance sheet of the U.S. economy contained more than $27 trillion in assets, as compared with last year's GNP of $3.8 trillion, savings of $156bn and budget deficit of $170bn. Of the $27 trillion, $12 trillion, or 44 per cent, was held in the form of *tangible assets* — properties, gold, used cars, etc — and the remaining $15 trillion was in equities, bonds, bank deposits or other *financial assets*. I believe that the proportion which investors choose to devote to tangible, as against financial assets, depending on the relative returns, is *the* key factor in determining the level of interest rates.

> The sharp drop in interest rates has been caused by the public's switch away from tangible assets in favour of holding securities

To conventional flow-of-funds analysts, real interest rates equate the demand for credit (government and corporate borrowing) with the supply from private savings. Not enough savings? Interest rates will rise to coax people into borrowing less and saving more. Too much savings? Interest rates will fall to discourage saving and encourage investment spending. This simple and compelling logic has pushed many corporate treasurers into early retirement since 1981, by making them prematurely issue long-term fixed-rate debt at exorbitant rates. In the past four years, despite rising deficits and a chorus of higher rate forecasts, interest rates have fallen sharply. Sometimes simple ideas are simply wrong.

As an alternative to the flow-of-funds logic I would suggest that the level of real interest rates depends on the demand of private investors for alternative assets, and that the sharp drop in interest rates since 1981 has been caused by a massive shift in the public's preferences away from holding tangible assets, and in favour of holding securities.

Major swings in inflation are the most important cause of the shift in asset demands. Private investors, like professional money managers, continually compare the yields on alternative assets, and attempt to shift funds from low-yield to high-yield assets to improve their future wealth. Since inflation is an approximate measure of the rate of return of tangible assets, swings in inflation can lead to large differences between the yield on tangible assets (inflation) and yields on financial assets (interest rates). This causes investors to attempt to convert some portion of their holdings from one category of asset to the other, which, in turn, leads to wholesale changes in asset prices.

In the 1970s, for example, rising inflation led investors to attempt to unload securities in favour of real estate, gold and collectibles. Of course, the fact that everyone *wanted* to turn their bonds into bungalows didn't make it happen, but it did affect their prices. Real values of equities and bonds fell sharply, interest rates rose, while properties, farmland and other hard assets soared in value. By 1980, investors had increased the tangible asset share of their portfolios from its 1973 level of 41 per cent to over 46 per cent, and U.S. corporations had restructired their balance sheets to live with inflation by going deeper into debt to buy oil reserves, refineries, timber, farmland and other fixed assets.

Most of the damage inflicted by the 1980s disinflation has ben done to the balance sheets of corporations and households. Falling inflation depressed the return on holding tangible assets, in effect reversing the pattern of returns from the 1970s. Initially, investors were sceptical of the decline of inflation and stubbornly refused to liquidate their positions. But as interest cost on debts continued to mount, and asset values failed to grow, the capital positions of hard asset owners deteriorated. One by one investors made plans to sell their low-yield tangible assets, and to repay debts or purchase high-yield securities with the proceeds.

The results were twofold. First, the buyers' markets in tangible (hard) assets drove their prices down sharply, producing a wave of debt crises (eg Penn Square, Continental Illinois, Latin loans, farm loans) once investors discovered the collateral behind asset-based loans had evaporated. And shrinking net worth further increased the leverage of already-stretched balance sheets, leading to additional forced liquidations of fixed assets.

Second, the hard asset sell-off pushed interest rates steadily lower, both because debt crises and bank failures inject fear into the hearts of the Fed Board, causing it to loosen its grip on the money supply, and through the direct effects of private sector portfolio restructuring. In practice, an investor's decision to reduce his holdings of tangible assets is identical to a decision to increase his holdings of financial assets. When investors do so in the aggregate, the prices of tangible assets fall, and the prices of financial assets go up; ie, higher bond prices and lower interest rates.

My impression is that we have a long way to go before balance sheet restructuring has fully run its course. Most U.S. companies are still at the let's-take-a-look-at-it stage, where there is a lot of talk about asset sales, but the boss still shows up for work in his private jet. Even the early companies in the restructuring game have a lot more to do. The asset sales which have been already announced but not yet completed could take another one to two years. And the sales which are still to be announced will affect the markets even beyond then.

Indeed, it is clear that private transactions will continue to rival changes in government economic policies in determininging the trend of inflation and interest rates during the rest of the decade. My money is on the private economy winning this tug-of-war, and that both inflation and interest rates will continue to move lower as a result.

The author is chairman of the Claremont Economics Institute, a California-based research and advisory group.

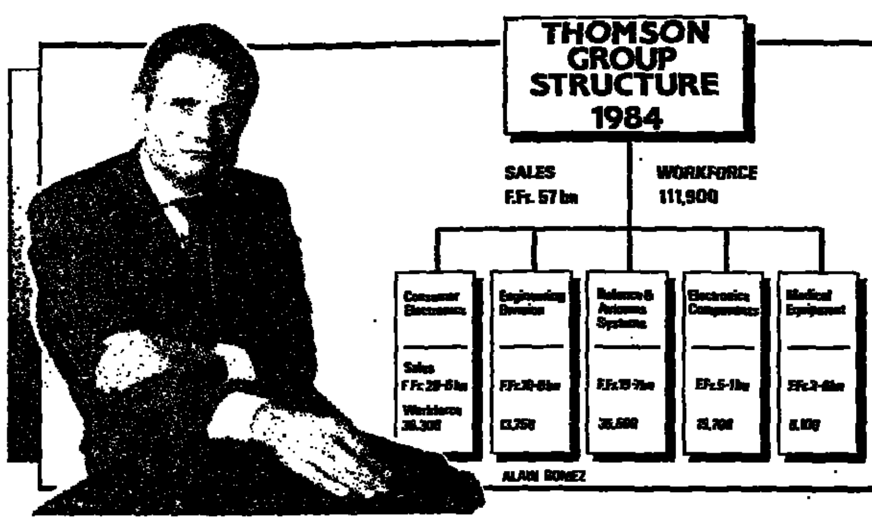
THE MANAGEMENT PAGE

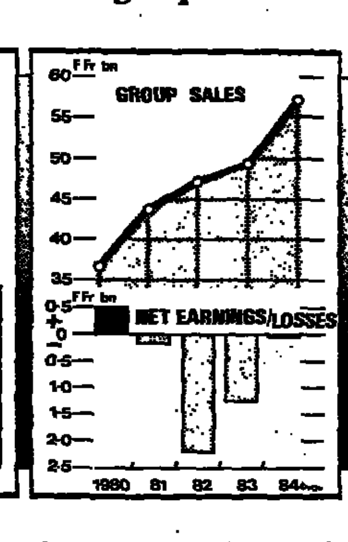
EDITED BY CHRISTOPHER LORENZ

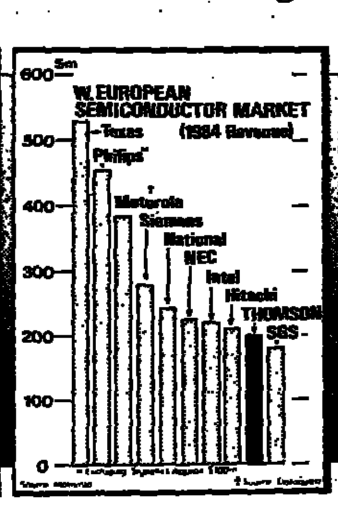
French semiconductor industry

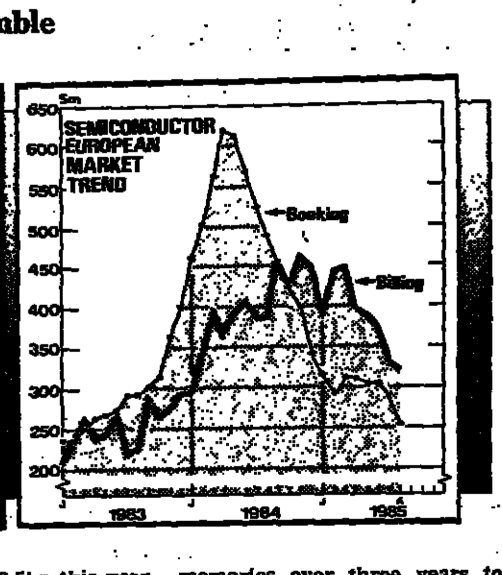
Thomson has another try at launching itself into the big league

Paul Betts reports on the electronics group's controversial state-backed gamble









THE Thomson Beechcraft executive plane landed at Tours in the Loire Valley, flew south to Aix en Provence, continued to Grenoble and up to Chambery and then further north to Nancy in the Lorraine steel region before returning to Paris. In barely 24 hours it had performed a "Tour de France" of a series of investments which constitute perhaps the biggest industrial challenge — and gamble — taken by the French Socialist Government and a nationalised group since the left came to power in France four years ago.

The investments — including brand new assembly plants equipped with automated Japanese manufacturing systems—form the basis of France's third attempt in only ten years to develop a domestic semiconductor industry. But the latest plan, launched in 1983 when the Socialists decided to place the bulk of the country's semiconductor industry in the hands of Thomson, is by far the most ambitious, expensive and risky so far to be undertaken.

The government has already spent FFr 2bn (£348m) since 1983, and Thomson has told its state shareholder it will need at least another FFr 1bn (£174m) a year for the next five years in additional state financial support to complete its plan to become a high volume chip producer and gain a 3 per cent share of the world semiconductor market by the end of the decade.

However, Thomson's state shareholder has been having growing misgivings about the semiconductor programme in recent weeks and especially over Thomson's decision to enter the cut-throat "standard" memory chip business where even U.S. suppliers have been forced to concede market leadership to the Japanese. When the latest plan was launched, the semiconductor cycle was high. But the subsequent collapse of the world market in the past year and the particularly brutal slump in the memory business, the ever expanding dominance of the Japanese manufacturers, the lay-offs and plant closures in the U.S. and the decision last week of United Technologies to close down its Mostek semiconductor subsidiary, not to mention Thomson's own semiconductor losses estimated at around FFr 400-FFr 500m (£34.8m-£43.5m) this year, have given the French Government cold feet.

"Some people commit suicide every day," says an executive of a rival semiconductor company with longstanding experience in France. "Thomson got in the wrong business, at the wrong time, with the wrong product." Although this judgment is perhaps too harsh, it reflects the doubts over Thomson's chances of success in becoming a world force in microchips.

Investing in MOS technology (where most future growth is expected), as Thomson is doing, is an essential step for any company aiming to join the big league, says Jim Beveridge, an analyst based in London with Dataquest, the U.S. market research firm. "But it is a long-term pay-off. In the past European industry has changed its mind over semiconductors every year. The question is whether the French have the guts to stand the pace of this business," he says.

Several other European electronics companies are also investing massively in an attempt to reverse their dwindling share of the $25bn world semiconductor market. By last year this had fallen to less than 10 per cent. They include West Germany's Siemens and Philips of the Netherlands (which have jointly launched the Megaproject research programme to catch up with Japanese memory technology) and Italy's state-owned SGS-Ates.

Siemens and Philips' own extensive electronics equipment businesses create substantial in-house demand for their chips. But Thomson uses only 15 per cent of the chips it makes, and that proportion is unlikely ever to exceed 25 per cent. Nor has it matched SGS-Ates' large investment in international production and marketing facilities, notably in the U.S., which the Italian company believes is essential to survival on the world market.

Alain Gomez, the Thomson chairman, a tough Harvard Business School-educated former paratrooper, and Jacques Noels, the former head of Texas Instruments in France, brought in by Gomez to organise and run Thomson's semiconductor business, have been working overtime in recent days to persuade the French Government to continue backing their long-term strategy.

"The French Government has poured in money with little or no return for the past 10 years in semiconductors. Now we are asking it to put up even more money but with the hope of getting a return," says Noels.

Noels argues it would be a serious mistake for Thomson to adjust its overall strategy every 12 months because of the market. Nonetheless, he acknowledges that current market conditions and the "bloodbath" in the memory business have forced him to adjust his approach to memories, reducing volumes and moving increasingly towards specialised product niches with greater value-added potential.

But many other western semiconductor makers are also adopting similar strategies, notably by diversifying into customised and semi-customised chips, where profit margins are higher and Japanese competition less intense. However, the Japanese chip makers have also set their sights on the market for advanced chips and have already launched a major drive to increase their share in Europe and America.

Personally the stakes are high for Gomez. His semiconductor strategy is one of the cornerstones of his overall efforts to return Thomson from the brink of bankruptcy to profit and establish the basis for longer term viability. Gomez says the nationalised group will be in the black again this year after losing FFr 2.2bn in 1982, FFr 1.25bn in 1983 and FFr 35m last year.

To achieve these results he has undertaken a sweeping reorganisation of the group including shedding its civil telecommunications business to the Compagnie Generale d'Electricite. In the consumer electronics business he has sought to give Thomson the necessary scale to compete against the Japanese, first by an unsuccessful attempt to take over Grundig, a West German consumer electronics company, and then by acquiring another, Telefunken.

He tried to hive off Thomson's loss-making medical equipment business but after realising he would be forced to hold on to it, he set about and succeeded in returning this branch to profit. But with the exception of his semiconductor strategy, it has been on the whole a defensive rearguard campaign to cut losses and clean up the group's balance sheet.

In contrast to his approach to his other core businesses, Gomez from the start adopted an aggressive semiconductor strategy. He believes that a major international electronics group with widescale military interests like Thomson cannot afford not to control its semiconductor technology. Thomson depends heavily on U.S. components for the defence equipment it makes and Gomez regards this as unsatisfactory.

Though the French armed forces finance about 35 per cent of Thomson's components research and development, the company needs further resources to fund the huge costs of remaining technologically competitive in advanced chips. Gomez decided the only option was to gamble on breaking into the "standard" chip market, in the hope that this would provide a new source of profit.

Thomson has thus continued to invest heavily, increase capacity and market penetration, entered the memory business to give it access to what accounts for about 40 per cent of the overall semiconductor market, all in an effort eventually to provide the cash flow to finance the development of more sophisticated components.

Thomson's semiconductor sales have grown from FFr 900m in 1982 to FFr 2.2bn last year and, despite the slump this year, are expected to continue to grow to FFr 2.5bn this year. The group has seen its world market share increase from under 1 per cent in 1983 to around 1.2 per cent this year. "Our aim is to grow twice as fast as the market rate to reach 3 per cent of the world market in 1990," says Noels.

Despite the semiconductor slump. As many as 250 engineers have been hired since the beginning of this year and the company is going ahead with its new plant investments in France. "You simply cannot give up at mid-course," argues Noels, the architect of Thomson's semiconductor strategy.

● To improve Thomson's manufacturing abilities, Noels negotiated an important agreement wiht Oki of Japan to give Thomson access to Oki's automated manufacturing technology. Oki systems are now being assembled at the new FFr 400m packaging plant of Nancy and at the FFr 600m wafer fabrication plant at Aix en Provence.

Noels says Oki has helped Thomson understand how to manufacture at lower cost. The deal has also given Thomson access to Oki technology in dynamic memories. "When you enter the MOS business you are forced to become competitive on a manufacturing basis," says Noels.

● At the time of the Oki agreement last October, Noels also negotiated an agreement to supply FFr 1bn worth of memories over three years to IBM. The IBM contract has since been scaled down because of the collapse of that market. The original IBM supply contract involved memories priced at over $2 each. Dynamic memories are currently selling at around 30 cents. Noels acknowledges that the IBM contract had been reduced. "But what is important for us is that we develop a constructive and long-term relationship with IBM on a customer and supplier basis. In the long term, IBM has to be a strategic customer in the semiconductor business." For its part, IBM apparently views its purchases from Thomson as a worthwhile investment in maintaining good political relations with French authorities.

● Noels has sought to give Thomson a balanced portfolio of semiconductor and electronic components products. About one-third of the group's total semiconductor billings consist of discrete components largely for industrial customers with much lower growth potential than integrated circuits but with greater resistance to down cycles. Thomson is now focusing on discrete components for radio frequency and high power controls. But although the discrete sector is "structurally profitable" in the words of Thomson it has also been losing money this year.

Another third of the group's billings is made up of bipolar semiconductors with the last third consisting of MOS components.

● Noels now wants to increase Thomson's penetration of the U.S. market. He calls it his next strategic challenge and is actively looking at possible acquisitions.

Thomson believes its strategy will ultimately pay off. Although this year the semiconductor business is now understood to be losing about FFr 600m-500m, Thomson's components sector, which includes profitable operations in non-semiconductor businesses like condensers and connectors, is expected to see its overall losses decline this year after averaging around FFr 200m a year over the past 10 years. The French group is hoping to see its semiconductor business break even in 1987 and become profitable the following year.

Noels is already envisaging the construction of a new facility to manufacture six-inch wafers at Grenoble. A decision will be taken next year on the new investment which is part of Thomson's efforts to grow faster than the market. But Noels and Gomez are both coming under pressure to produce results.

Moreover, as the elections close in, the Government may be increasingly tempted to intervene in the affairs of nationalised groups for political ends. During the past two years, the Socialist administration has adopted a generally pragmatic approach to nationalised groups, leaving them relatively free to manage their industrial strategies as long as they cut their losses and return to the black.

But signs that this may be changing came a few weeks ago when the Government announced that Thomson would be building a new components plant to manufacture condensers at Frith Saint Leger as part of a job-creating package for the depressed coal mining and steel region around Lille in the north.

Thomson had originally envisaged making the investment, involving about FFr 400m at Barcelona in Spain where it already manufactures condensers. But the Government has been seeking to win back votes in the region of Lille.

Gomez and Noels argue that their strategy can only be judged over the longer term. "We are still in a very fragile building process. We must continue to improve our ba weaknesses, lower manufacturing costs, penetrate the U.S. market and complete our learning process," says Noels. "Many people think we are wrong and we will never make it. But we have not walked into this with our eyes closed. We have no magic recipe but I think we can make it. The fact that we are continuing to grow and improve our financial situation is what counts."

BASE LENDING RATES

ABN Bank	11½%	■ Hambros Bank	11½%
Allied Dunbar & Co	11½%	Heritable & Gen. Trust	11½%
Allied Irish Bank	11½%	■ Hill Samuel	§11½%
American Express Bk.	11½%	C. Hoare & Co	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Amro Bank	11½%	Johnson Matthey Bkrs.	11½%
Associates Cap. Corp.	12 %	Knowsley & Co Ltd	12 %
Banco de Bilbao	11½%	Lloyds Bank	11½%
Bank Hapoalim	11½%	Edward Manson & Co	12½%
BCCI	11½%	Meghraj & Sons Ltd	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd	11½%
Bank of Scotland	11½%	National Bk of Kuwait	11½%
Banque Belge Ltd	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd	12½%	Northern Bank Ltd	11½%
Brit. Bank of Mid East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd	12½%
Cayzer Ltd	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co Canada	11½%
Citibank NA	11½%	Standard Chartered	‖11½%
Citibank Savings	¶12½%	TCB	11½%
City Merchants Bank	11½%	Trustee Savings Bank	11½%
Clydesdale Bank	11½%	United Bank of Kuwait	11½%
C. E. Coates & Co Ltd	12 %	United Mizrahi Bank	11½%
Comm. Bk. N. East	11½%	Westpac Banking Corp.	11½%
Consolidated Credits	11½%	Whiteway Laidlaw	12 %
Continental Trust Ltd	11½%	Yorkshire Bank	11½%
Co-operative Bank	*11½%		
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd	12½%		
■ Robert Fleming & Co	11½%		
Robert Fraser & Ptrs	12½%		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand dep. 8%. Mortgage 13%.

INTERNATIONAL FUND MANAGEMENT

The International Fund Management survey scheduled to be published on Wednesday 6 November is now due to appear on Monday 18 November.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
25	26	27	28	29	30	31

Music

PARIS

Chantal Stigliani, piano: Bach, Beethoven, Scarlatti, Ravel (Mon). Salle Gaveau (563 2030).

Japan Philharmonic Orchestra, conducted by *Kenichiro Kobayashi*, Ikanyo Kamya, piano: Yuzo Tomaya-Matsura, Mozart, Tchaikovsky (Mon) TMP-Châtelet (233 0000).

Alice Ader, piano: Scarlatti. W. F. *Bach, Mozart, Schubert, (Tue) Radio* France (524 1516).

Orchestre de Paris, conducted by Zubin Mehta, Ravi Shankar, sitar. Schubert, Shankar (Wed, Thur) Salle Pleyel (561 0630)

LONDON

Yuval Trio: *Haydn, Dvořak und* Brahms. Queen Elizabeth Hall (Mon). (928 3191).

Segovia, Barbican Hall (Mon). (638 8891).

Cristoph Eschenbach and **Justus** Frantz, pianos. Schubert, Mozart and Brahms. Queen Elizabeth Hall (Tue).

Pinchas Zukerman, violin, with Mark Neikrug, piano. Mozart, Prokofiev und Strauss. Barbican Hall (Tue).

London Sinfonietta *conducted by* Oliver Knussen, with Linda Hirst, mezzosoprano. Stravinsky, Webern, Maxwell Davies and others. Queen Elizabeth Hall (Wed).

Dave Brubeck: Barbican Hall (Wed).

BBC Symphony Orchestra conducted *by Gunter Wand. Stravinsky and* Schubert. Royal Festival Hall (Wed). (28 3191).

English Chamber Orchestra and Wind Ensemble, directed by Mitsuko Uchida, piano. Mozart and Gounod. Queen Elizabeth Hall (Thur).

Academy of St. Martin-in-the-Fields, conducted by Sir Neville Marriner, with Lynn Harrell, cello. Schubert, Saint-Saëns and Beethoven. Royal Festival Hall (Thur).

Ronnie Scott's, Frith Street: Singer Maria Muldaur and her band. Altoist Peter King and his quartet. (439 0747).

BRUSSELS

Palais des Beaux Arts: Orquesta de Camera Espagnola, with Victor Marin, violin. Boccherini, Leclair, Ordonez, Martinez (Mon); National Opera Symphony Orchestra conducted by Sylvain Cambreling, with *Montserrat Caballe Semiramis* by Rossini (Tue); Rafael Orozco, piano. Schubert, Albeniz, Chopin (Wed). (512 5045).

ITALY

Milan: Teatro alla Scala: Prague Philharmonic Choir. Dvořák, with the soprano Magdalene Hayossyova and baritone Lajos Miller, conducted by Zdenek Kosler (Wed and *Thur). (80 91 26).*

Venice: Teatro la Fenice: Bach suites for cello played by Zara Nelsova (Mon and Wed). (25 191).

Rome: Auditorium via della Conciliazione *(Accademia Nazionale di Santa* Cecilia): (Mon and Tue) Tchaikovsky, conducted by Georges Pretre. (654 1044).

Teatro Olimpico: (Piazza gentile da Fabriano): Ensemble 415: Alessandro and Domenico Scarlatti, with *the counter-tenor* Rene Jacobs (Wed). (393 304).

NETHERLANDS

Amsterdam, Concertgebouw. Vladimir Ashkenazy conducting the Concertgebouw *Orchestra*. Wagenaar, Debussy, Prokofiev (Wed, Thur). Recital Hall: Schönberg Quartet. Berg, Webern (Mon, Wed). Joseph Swensen, violin, Lily Funahashi, piano. Beethoven, Bartok, Dvořák, Brahms (Tue). Emile Biessen, flute, *Gerrit Hommerson, piano*, Charles van Tassel, baritone, Marien van Nieukerken, piano. Ruppe, Wertheim, Verhey (Thur). (71 8345).

Amsterdam, Waalse Church (Walenplein): Jos van Veldhoven conducting the choir and baroque orchestra *of the Netherlands Bach Society*, with the Gesualdo Consort under Harry van der Kamp. Schütz (Tue). (51 51 61).

Rotterdam, De Doelen. Bach's Hohe Messe from the *Rotterdam* Baroque Orchestra and the Toonkunst Choir conducted by Jan Felkema, with soloists Van der Sluis, Beunders, Meens and Oosterkamp (Tue). James Conlon conducting the Rotterdam Philharmonic, with Karin Lechner, piano. *Stravinsky, Mozart*, Debussy, Ravel (Thur). (14 29 11).

Utrecht, Muziekcentrum Vredenburg. Recital Hall: Bartok Quartet. Mozart, Ravel, Tchaikovsky (Tue). Flamenco song from Carmen Linares accompanied by guitarist Pepe Habichuela (Thur). (31 45 44).

Eindhoven, Schouwburg. The Franz *Schubert Quartet. Haydn, Zemlinsky*, Beethoven, (Tue). (11 11 22).

NEW YORK

New York Philharmonic *(Avery Fisher* Hall): Riccardo Chailly conducting, Andre Watts piano. Bussotti, Beethoven. Prokofiev (Tue): Riccardo Chailly conducting, Yuzuko Horigome violin. Strauss, Mendelssohn, Beethoven (Thur). Lincoln Center *(874 2424).*

Merkin Hall (Goodman House): Salomon String Quartet. Boccherini, Haydn, Beethoven (Mon): For the Love of Music. Poulenc, Weber. *Brahms (Tue); Urs Ruchti piano recital.* Schubert, Chopin, Liszt (Thur). 67th W of Broadway (362 8719).

WASHINGTON

National Symphony (Concert Hall): *Rafael Fruehbeck de Burgos* conducting, with Elizabeth Knighton soprano, Marta Senn mezzosoprano, and Choral Arts Society of Washington, directed by Norman *Scriber. All-Mahler programme* (Thur). Kennedy Center (785 8110).

CHICAGO

Orchestra Hall: Munich Philharmonic, Lorin Maazel conducting. Weber, Hindemith, Brahms (Wed); Chicago Symphony. Klaus Tennstedt conducting with Kyung Wha Chung, *violin*. Beethoven, Bruckner (Thur). (435 8122).

TOKYO

Tokyo Philharmonic Orchestra, violin, Fujikawa. Bruch, Mahler. Tokyo Bunka Kaikan (Mon). (256 9696; 436 3373).

Staatskapelle Dresden, conducted by Herbert Blomstedt: piano: Michail Plotnev. Beethoven, Bruckner Hito*mi Memorial* Hall. Showa Women's College, near Sangenjaya (Wed). (235 3021).

Michail Pletnev (piano): Beethoven, Brahms, Schumann, Tchaikovsky. *Shinjuku · Bunka Centre* (Thur). (235 3021).

Anni Fischer (piano): Händel, Beethoven, Schumann, Brahms. Hitomi memorial Hall. Showa Women's College, near Sangenjaya (Thur). (353 2242).

Exhibitions

WEST GERMANY

Hildesheim, Römer und Pelizaeus-Museum, Am Steine 1-2: Nofret, the *exhibition covering Women in* Egypt. For its last stop in Germany, the exhibition will carry 177 pieces, an extra 96. Some 30 objects are on loan from the Egyptian Museum in East Berlin. It is the biggest assembly of Pharoan Art. Ends Nov.

Ludwigshafen, Wilhelm-Hack-Museum, Berliner Str. 23: "Apocalypse, a principle hope?" – To honour local philosopher Ernst Bloch, on the 100th anniversary of his birth, the museum will exhibit 400 illustrations depicting the end of the *world*, ranging from the middle ages to the 20th century. A book by Bloch, "Ein Prinzip Hoffnung," is the basis of this show. Among the artists are Dürer, William Blake, Arnulf Rainer, Markus Lüpertz, Joseph Beuys and Enzo Cucci. Ends Nov 17.

Berlin, Nationalgalerie: Art from 1945 to 1985. With 500 works by 220 artists the Berlin National Museum will display an extensive exhibition *of post war art. Ends Jan 12.*

PARIS

Picasso Museum: The 17th century Hôtel Salé, sumptuously restored, provides a fitting home for the *world's largest collection of* Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, *such as Braque and Matisse, or by* artists he admired, Renoir, Cezanne, Douanier and Rousseau. Musée Picasso. Hôtel Salé, 5 rue Thorigny, Paris 3e (271 2421). Closed on Tuesdays.

Sir Joshua Reynolds: The artist's first exhibition ever in France, organised with the London Royal Academy and British Council's aid. It follows the Gainsborough and Turner exhibitions. Grand Palais, from Oct 8 *(261 5410).*

The fame of Victor Hugo. To mark the 100th anniversary of the poet's death, some 1,000 documents – grand and less grand, including caricatures, posters, photographs, try to explain the extraordinary pheno*menon of Hugo's glorification.* Grand Palais, closed Tue. Ends Jan 6 (261 54 10) Petit Palais adds to Hugo's celebrations an exhibition Le Soleil d'Encre consisting of more than 300 of the artist's drawings and 200 manuscripts belonging to the Bibliothèque Nationale. Petit Palais, closed Mon (265 12 73)

LONDON

The Barbican Art Gallery: Gwen John – the fullest study we have yet had of the work of the most particular and exquisite of British artists this century. *Overshadowed* in her own lifetime by brother Augustus, she is now considered, as he foresaw, the greater artist. Ends Nov 3.

The Barbican Art Gallery: Roderick O'Conor – the first full retrospective study of an artist too much neglected both at home and abroad. An Irishman who went to Paris in 1880 as a student and stayed in France for the rest of his life, becoming a central figure in the Pont Aven colony of artists in the '90s he was then the British contact with l'Ecole *de Paris for 30 years. Ends Nov 3.*

The Royal Academy: German Art in the 20th Century – until Dec 2 – this is certainly the most important exhibition at the Royal Academy since the Post Impressionist *Exhibition*, in terms of the practical study of the art of our own time. But it is a partial rather than definitive treatment of its subject, more closely defined as the Expressionist Tradition in modern German Art. The pioneer *expressionists of Die Brück and Der* Blaue Reiter – Schmidt-Rotluff, Nolde, Kirchner, Mueller, Macke, Marc and Kandinsky, Beckmann, Dix and Grosz are the heroes. Beuys Kiefer and *Richter* continue *in* spirit.

BRUSSELS

Spanish Netherlands 1500-1700: Renaissance and Baroque, Flemish and Spanish painters – Velázquez, Rubens, Murillo, Van Dyck, El Greco. *Palais des Beaux Arts*. Ends Dec 22.

Goya: paintings, drawings, etchings from Spanish public and private collections. Musée Royale des Beaux Arts. Ends Dec 22.

Picasso, Miró, Dali: *Palais des Beaux* Arts. Ends Dec 22.

Tapies, Chillida, *López García*: three contemporary artists. Musée d'Art Moderne. Ends Dec 22.

Los Beatos: 20 illuminated manuscripts. An IXth century commentary on the Apocalypse attributed to Asturian monk Beatus (circa 775 AD). Nassau Chapel, Royal Library. Ends Nov 30.

Los Iberos: Iberian Art from the pre-Roman period. Musée Royale d'Art et Histoire. Ends Dec 22.

Opera costumes from 1959 to the present including Zeffirelli's Rigoletto, Bosquet's Traviata and Karl Ernst Herreman's Clemency of Titus. Musée de Costumes et Dentelle. Until November.

ITALY

Milan: Palazzo della Triennale: Alfa Romeo: A celebration of the company's first 75 years with photographs of key figures from its past, with project designs and vintage models. *Ends Nov 10.*

Florence: Museo di Storia della Scienza: *A History of Spectacles. More* than a hundred pairs of glasses from the Zeiss foundation (in E. Germany). This is the first time the collection has been shown publicly. Exhibition also includes engravings by Durer, Rembrandt and Japanese artists. Ends Jan 11.

Venice: ca' rezzonico: Warsaw 1764–1830: From Bellotto to Chopin. A vast exhibition in a *splendid* setting, organised by the Polish Ministry *of Culture and the Italian* Institute in Warsaw: paintings, drawings, architectural designs, jewellery and furniture lent by Polish museums, from a troubled, but highly creative, period *of Warsaw's history. Ends* Nov 20.

Rome: Palazzo del Rettorato (Citta Universitaria) Piazzale Aldo Moro 5). The 'Sapienza' at the Citta Universitaria 1935–1985 and 1935-Artists at the university and the Question of the Mural Painting. The first mainly historical exhibition illustrates photographically the building (under Mussolini) and development of the university and its problems and *possible* future development. The second, a collection of paintings and drawings by some of the most important Italian artists of the period (De Chirico, Carra, Severini and *Cagli) including Mario Sironi's* preparatory studies for the frescoes in the Aula Magna. Ends Oct 31.

Milan: Palazzo Reale: "Kandisky in Paris" (1934-1944): This is the third and last of a series of exhibitions of Kandisky's work, organised by Tho*mas M.* Messer. On show are over 200 hundred works: watercolours, oils and drawings, all produced during the last 10 years of Kandinsky's life, as well as works by his Parisian contemporaries: Arp, Miró, Mondrian and others. Until Nov 10.

VIENNA

Art From The Stone: Art lithography from its origins to the present. This exhibition shows the versatility of nearly 200 years of European lithography. *Most artists seem to have* had a try at drawing or painting "on the stone" – from Goya to Picasso, Delacroix to Chagall, Toulouse-Lautrec to Miro, Munch and Beckmann. The exhibition explains how lithography began, how it is done, and goes a long way to explain *its* continued fascination for artists. At the Albertina until Dec 8.

Treasures From The Forbidden City, Peking: A selection of 120 objects covering 3,500 years of Chinese history from Peking's Forbidden City, the former Imperial Palace, now a museum. *It includes gold and jade* pieces, calligraphy of all kinds, mu*sical instruments*, costumes, paintings, procelain vases, dishes and cups from the Ming and Qing dynasties, and paintings on silk rolls showing the elaborate ritual of the court, or members of the royal family at leisure or on one of their epic *journeys. This is the last opportunity to see the collection in Europe before it returns to the* Forbidden City. Museum of Ethnology. Heldenplatz, Vienna, until Dec 8.

NETHERLANDS

The Hague, Gemeentemuseum. A glimpse behind the scenes of 18th-century opera production, with prints, drawings and scale models illustrating set *design, costumes*, stage machinery, and the use of gesture to heighten the dramatic action. Ends Nov 10.

SWITZERLAND

Martigny: Fondation Pierre Gianadda: 250 Klee paintings in the striking modern gallery built over the Roman ruins of the city of Octodurus. Ends Nov 3. (026/2 39 78).

SPAIN

Madrid, a retrospective of 200 paintings, waxes and drawings by master of Cubism Juan Gris *(1887-1927) on* loan by private collections and museums of Europe and the U.S. The exhibition offers for the first time in Spain and Europe a good assembly of Gris's best works. Biblioteca Nacional, Sala Picasso, Paseo recoletos 22. *Until end of Dec.*

Madrid, a selection of 182 XVIIth century paintings including Ribera. Caravaggio, Luca Giordano, Vaccaro, Cavallino, Pretti, Caracciolo, Salvatore *Rosa, Micco Spadero, Fal*cone, etc. Palacio de Villahermosa, Prado Museum. Until end of Dec.

NEW YORK

Baruch College Gallery: a collection of 19th-century French drawings and watercolours on tour from the Amsterdam *Historical Museum* presents a cross-section of the styles and themes of the period, from the veneration of the Napoleonic legend to exotic Orientalism and the Italian picturesque. Ends Nov 8.

Metropolitan Museum of Art: The tra*velling show India, arrives from* Washington with 350 examples of six centuries and numerous flourishing periods of art and craft. Ends Jan 5.

Museum of Modern Art: Making generous use of the Riklis Collection of the McCrory *Corporation this* exhibit of geometric abstract art of the twentieth century entitled Contrasts of Form covers the Russian Constructivists *and* American Minimalists as well as cubism and Bauhaus.

Asia Society: Complementing the Metropolitan show, Akbar's India concentrates on the 49-year reign of the sixteenth-century Mughal emperor who built Fatehpur-Sikri and inspired the works represented here by 80 paintings as well as metal work, carpets, *and textiles*. Ends Jan 5.

WASHINGTON

National Museum of American Art: 35 paintings by Alexander Hogue capture the American Southwest through dustbowl and prairie in highly *stylised evocative* works from the 1920s to the present. Ends Nov 3.

Hirshhorn: The recent allegorical and romantic strain in Italian painting is represented in a show of 46 works, primarily paintings, from 13 artists, *including* lesser known artists such as Carlo Bertocci and Patrizia Cantalupo as well as the well known Sandro Chia, Mimmo Paladino and Carlo Maria Mariani. Ends Jan 5.

National Gallery: 118 Master Drawings from the fifteenth to nineteenth centuries lent by the Swedish Nationalmuseum include works by Dürer, Rembrandt, Rubens, Van Dyck and Goya. *Ends* Jan 5.

CHICAGO

Art Institute: Chalk & Chisel combines 11 sculptures with more than 80 sculptors' drawings to show the interplay between preparation and execution in the work among others of Rodin, Carpeaux and Rysbrack. Ends Dec 12.

TOKYO

Western Contemporary Art in Action: Visual and performance art by nine artists from the U.S., France and Germany. Sogetsu Kaikan. Ends Nov 9.

Contemporary Ceramics: Show of Ban Kajitani's work, who now lives in the U.S. Akasaka Green Gallery. Ends Nov 2.

Art of Dunhuang on the Silk Road: This exhibition includes replicas of frescoes from the remote Duhuang caves in Western *China. Tokyo Fuji* Art Museum, Hachioji, one hour from Tokyo. Ends Nov 24.

Van Gogh: Over 100 oils, sketches and prints, some reflecting his interest in Japanese Ukiyo-e prints. National Museum of Western Art in Ueno Park. *The park is pleasant respite* from the city concrete, one of Tokyo's few open spaces where autumn is evident. Ends Dec 8.

Pottery from Jomon to Edo (Pre-history to 19th century). These masterpieces offer a pleasurable experience of Japanese ceramics history, particularly the influence of Korea and China. Tokyo National Museum, Ueno Park, near the Museum of Western Art. (Ends Nov. 24).

Opera and Ballet

LONDON

Royal Opera, Covent Garden: Il Trovatore, in the now-ancient Visconti production, serves as a vehicle for the first London Léonora and Di Lu*na of Elizabeth Connell and Wolf*gang Brendel, both accomplished but not quite complete Verdians; José Carreras and Elena Obraztsova complete the cast, and Giuseppe Patané conducts (240 1066).

English National Opera, Coliseum: Or*pheus in the Underworld, the some*what uncertain Offenbach collaboration by David Pountney and Gerald Scarfe, returns for a further set of performances with a largely new cast. Also in the repertory: the new production of Faust, and the gen*erally admirable revivals of* Don Carlos and Rigoletto. (836 3161).

New Sadler's Wells Opera, Sadler's Wells: HMS Pinafore, one of NSWO's recent hits, returns with Nickolas Grace at the head of its cast. Further performances of the *new Marry Widow, and of the quirkily* poetic Traviata borrowed from Opera North. (278 8916).

Royal Opera House: The Royal Ballet repertoire includes The Two Pigeons, *Sleeping Beauty* and a triple bill with David Bintley's The Sons of Horus.

Dominion, Tottenham Court Road: Northern Ballet Theatre with a new Othello followed by Rudolf Nureyev as guest in Birgit Cullberg's *Miss Julie as part of a triple bill on Thursday.* (580 9562).

PARIS

Lilac Garden – Soiree Antony Tudor: Lilac Garden to music by Ernest Chausson, continuo, music by Johann Pachelbel: Dark Elegies to Gustav Mahler's music, all three in Antony Tudor's choreography. Concerto Barocco by J.S. Bach to *George Balanchine's choreography.* Opéra Comique (296 0611).

St John Passion: J.S. Bach's oratorio conducted by William Christie, produced by Pier-Luigi Pizzi, Les Arts Florissants, Paris Sorbonne's Choir. The Venice Fenice production presented by the Théâtre des Champs Elysées (723 4777).

Iphigenie auf Taurus alternates with Swan Lake in Vladimir Bourmeister's choreography and production, at the Paris Opera (266 5022).

WEST GERMANY

Berlin, Deutsche Oper: There will be *two Wagner* operas this week: Die Walküre and Siegfried. The Götz Friedrich productions bring together Simon Estes, Rene Kollo, Katarina Ligendza and Julia Varady. Madame *Butterfly* has Yoko Nomura excelling in the title role. Also offered, Cosi fan tutte and Der Barbier von Sevilla. (34 381).

Hamburg, Staatsoper: This week's highlight is Faust, sung in French. The cast includes Ileana Cotrubas, *Neil Shicoff and Samuel Ramey.* Der Rosenkavalier has Brigitte Fasbaender. Judith Beckmann and Kurt Moll. Die Hochzeit des *Figaro* rounds off the programme. (351 151).

Frankfurt, Opera: Ein Maskenball has guest singers Natala Troitskaja as Amelia and Giorgio Zacanaro as Renato. Der Freischütz has fine interpretations by Barbara Bonney, Helena Doese and Walter Raffeiner. The Magic Flute convinces thanks *to Elfie Hobarth as Queen of the* Night. (25 621).

Cologne, Opera: The acclaimed television production of La Gazza Ladra, sung in Italian, is offered with Carlos Feller and Janice Hall. Also Lucia di Lammermoor and a lieder re*cital with Peter Schreier, accompan*ied by Norman Shelter. (20 761).

BRUSSELS

Cirque Royale (218 2015): Tales of Hoffman by Offenbach conducted by Sylvain Cambreling with Stuart Burrows, Jose Van Dam, Rita Gorr.

ITALY

Florence: Teatro Comunale: Ballo in Maschera conducted by Gianandrea Gavazzeni. Luciano Pavarotti leads the cast in Sandro Sequi's production, with Piero Cappuccilli, Maria Chiara, Patricia Payne and Patricia Pace. Scenery and costumes by Giu*seppe Crisolini Malatesta* (277 9236).

Venice: Gran Teatro la Fenice: Cosi Fan Tutte in Luca Ronconi's production, conducted by Peter Maag. (25 191).

NETHERLANDS

Netherlands Opera production of Tchaikovsky's Pique Dame (in Russian) directed by David Pountney. The Netherlands Philharmonic under Edo de Waart, with two choirs and members of the National Ballet. Cast headed by Jan Blinkhof, Henk Smit, Elaine Bonazzi and Helena Doese. Tue in Utrecht, Stadtsschouwburg (31 02 41). (Thur) Amsterdam, Stadsschouwburg (24 23 11).

The National Ballet on tour with a Balanchine programme: Concerto Barocco, Monumentum pro Gesualdo, Movements for piano and orchestra. *Tchaikovsky pas-de-deux, and Sym*phony in C. Tue in Tilburg, Stadtsschouwburg (43 22 20). Wed Leeuwarden, De Harmonie (13 92 25), and Thur Scheveningen, Circus Theatre (55 88 00).

Amsterdam Stadsschouwburg. Nederlands Dans Theater with Moves (Robbins), Love songs (Forsythe) and Ghost dances (Bruce). Mon to Wed (24 23 11).

Amsterdam, Carre Theatre. A flamen*co ballet version of Carmen* performed by the Antonio Gades company, with Cristina Hoyos and Antonio Gades in the principal roles (Mon to Wed). (22 52 25).

SPAIN

Madrid Autumn Festival: Pina Bausch Tanztheater of Wuppertal with premier in Spain of Cafe Muller. Teatro de La Zarzuela, Jovellandos 4. (Tue, *Wed). (429 8216). Also Dance Theatre* of Harlem Serenade choreographied by Balanchine, Voluntaries by Glen *Tetley and Fire Bird by John Taras* (Tue, Wed): Troy Game by Robert North, Le Corsair by Karel Shook, Streetcar Named Desire by Valerie Bettis and Four Temperaments by Balanchine. (Thur, Fri). Palacio de Exposiciones y Congresos, Paseo de la Castellana. (455 8363).

NEW YORK

Metropolitan Opera (Opera House): The week features the season's first performance of Porgy & Bess, conducted by James Levine, with Roberta Alexander. Neeme Jarvi conducts the August Everding's production of Khovanshchina, with Natalia Rom as Emma, Florence Quivar as Maria and Wieslaw Ochman as Prince Golitsyn. Lincoln Center *(362 6000).*

New York City Opera (NY State): Elizabeth Knighton sings Magda the banker's mistress whose true love is the provincial Ruggero, sung by Jon Garrison in Lotfi Mansouri's winning production of La Rondine that debuted last year and *is* conducted by Alessandro Siciliani. The week also features Andre Serban's *new* production of Norma, conducted by Richard Bonynge with Olivia Stapp in the title role and Robert Grayson as Pollione. The week includes Mad*ame Butterfly and The Magic Flute*. Lincoln Center (870 5580).

Dance Theater Workshop: The season continues its Border Crossings programme with Marie Chouinard who gives the New York premiere of her work Earthquake in the Heart. *Rudy Perez Performance Ensemble* from Los Angeles presents the premiere of Urban Toys among a mixed repertory. 219 W. 19th St. (924 0077).

The Feld Ballet (Joyce): Choreographer Eliot Feld puts his company through a variety of paces including the world premieres of Aurore I and Medium Rare. Ends Nov 3, 8th Av. at 19th St. (242 0800).

Tango Argentine (Mark Hellinger): Af*ter a sold out programme at City* Center in June this troupe of 30 of Argentina's top tango dancers choreographed by Claudio Segovia and Juan Carlos Copes comes to *Broadway. Ends Nov 10 (757 7064).*

CHICAGO

Lyric Opera (Civic Opera House): The *31st season begins with Otello* starring Margaret Price, William Johns and Sherrill Milnes, conducted by Bruno Bartoletti and staged by Antonello Madau Diaz. The season also has in repertory Madame Butterfly with Anna Tomowa-Sintow in the ti*tle role conducted by Miguel Gomez* Martinez, as well as Samson, Anna Bolena, La Traviata, I Capuleti e I Montecchi, Die Meistersinger and La Rondine (332 2244)

TOKYO

Maurice Béjart 20th Century Ballet: Wien, Wien, Nur du Allein. Kani Hoken Hall. (Wed, Thur). (723 2356).

Japanese Court Music and Dance (Gagaku): National Theatre (Wed). (285 7411).

Continued on Page 17

Cinema/Nigel Andrews

Some honourable family fun

Prizzi's Honour, directed by John Huston

London Film Festival, National Film Theatre

Catholic Boys, directed by Michael Winner

The Wind, directed by Souleymane Cisse

Les Diaboliques, directed by Henri-Georges Clouzot

There was a time when the "family film" was something to which you could take all the kids plus Aunt Gladys and the budgie: an animated feature, *say, or a tale* of English governesses dancing over Swiss hilltops. Today it more often means a movie about that other kind of family, in which the strong wear dark suits and dark looks and make you offers you cannot refuse, and the weak end up wearing concrete shoes or stilettoes (in the back, not on the feet).

But *Prizzi's Honour* is a family film for the whole family. Not a bloodthirsty deed occurs in this witty Mafia romp but it is the cue for comedy rather than horror. A mischievous John Huston pushes a Richard Condon story through sardonic twists of plot and counter-plot, as Mafia hit-man Jack Nicholson discovers that the mystery beauty (Kathleen Turner) he spies at a party, woos and finally marries is none other than a fellow contract artiste. She has already bumped off several of the family's acquaintances; she has also swindled them out of sackfuls of casino money; and her latest assignment for murder may be — Nicholson.

This game of Cosa Nostra snakes and laders is played with delicious straightfaced élan. Hilarity shadows atrocity at every turn in the board but even the comedy has a poker-faced *hauteur*.

There is the sizzling Miss Turner of *Body Heat* and *Crimes of Passion)* driving her lipstick-red Excalibur from contract to contract, and displaying a pragmatic modesty about her "three or four hits" per year: "It's not many if you consider the size of the population." There is Anjelica Huston as Nicholson's still lovelorn ex-wife an interior decorator showing majestic connoisseurship even about the carpets she makes love on: "Right here," she purrs to him, "on the Oriental, with all the lights on." And there is Nicholson, with bizarrely mannered speech pattern (he looks and sounds as if he has borrowed the cotton-wool pads Brando's Godfather wore in his cheeks but they have slipped round behind his upper lip), using his dazed and feline looks and slowest drawl in the West for a superb sketch of native dim-wittedness warring with determined Mafia menace.

Huston fills the film with plain but perfect sight gags: like the repeated shot of a plane gliding through the sky (from NY to LA to NY . . .) as Turner and Nicholson conduct their bi-coastal romance and the "family" conducts its bi-coastal mergers and murders. And the black comedy implicit in the whole "serious" Mafia genre—that of polite, dynastic, well-dressed gentlemen dealing out carnage like Attila the Hun—is epitomised in William Hickey's performance as the Prizzis' *capo*, Don Corrado. A courteous soul he, with a face like a bleached skull, a voice like a rattlesnake with a slur, and an ever ready tin of biscuits for unexpected guests. "Siddown," he purrs, "Have a bikkie, my dearrrr. . . ."

Please accept his invitation (to sit down, if not to have the bikkie). With this script, this acting and this direction, it is an offer you cannot refuse.

Kathleen Turner and Jack Nicholson with murder victim

*

Another offer you cannot refuse takes place this year, as every year, under Waterloo Bridge. The 29th London Film Festival unspools its miles of movies from November 14 to December 1, and Don Derek Malcolm is your Godfather, pushing towards you the cans of celluloid and saying, "Have a flickie, my dearr. . . ."

Indeed have a hundred. Critics like me who annually cry, "Why must there be so *many* films?" (and used not critic Malcolm to make the same cry before he was festival chief?) have given up trying to control a festival which is today more like a dam bursting than a judicious round-up of the year's best.

However, the LFF has some undrownable virtues. Notably its loyalty to British cinema. There are 44 programmes of UK movies this year, from animation round-ups to documentary tandems to feature films. Unknown but promising quantities include Peter Duffell's *Letters To An Unknown Lover*, David Drury's *Defence Of The Realm*, Philip Saville's *Shadey* and Franco Rosso's biopic of Randolph Turpin, *64 Day Hero*. Known and commendable quantities include Stephen Frears's superb *My Beautiful Laundrette* (love and integration across the soap bubbles). And the star attraction will surely be *A Zed And Two Noughts* by Peter *(Draughtsman's Contract)* Greenaway. As Dr Johnson once said, or might have, the man who is tired of Greenaway is tired of life. His new film is the story of a woman "who loses a leg in a car crash caused by a low-flying swan." One hopes her insurance company did not make a drama out of a crisis.

Elsewhere, from the horn of plenty, I can merely pick out for you 10 juiciest specimens. Try not to miss: Volker Schlondorff's *Death Of A Salesman* (Dustin Hoffman recreating his Broadway triumph); Masaki Kobayashi's electrifying *The Tokyo Trial*, 4½ hours of archive autopsy on Japanese war crimes; Kobayashi's (again) *The Empty Table*, in which a father tries to save face as madness and terrorism engulf his family; Edward Yang's *Taipei Story*, the work of a Taiwan Antonioni; Tsui Hark's *Shanghai Blues*, the work of a Hong Kong Capra; Bobby Roth's *Heartbreakers*, a springy comedy of LA life and love; Desiré Ecaré's *Faces Of Woman*, a colourful collage of emergent women's lib in the emergent Ivory Coast; Gyula Gazdag's documentary *The Package Tour*, in which Hungarian survivors revisit Auschwitz; Robert Kramer's video documentary *Our Nazi*, in which an ex-SS officer faces the hot lights; and Agnes Varda's *Vagabonde*, Golden Lion winner at Venice.

We have still disturbed only the top layer of the cornucopia. There are also succulent-looking revamps and revivals *(The Big Parade, Becky Sharp, Gone To Earth)*, and a *giddying* largesse of shorts. Further LFF bulletins will follow on this page, as fresh revelations occur.

Incidentally and *qua* postscript, the people putting together the festival brochure have got a damn nerve taking my review of *The Empty Table* and changing words and construction to suit (what I assume to be) their own feelings about the film. This time I forgive them. Next time I sue.

*

In *Catholic Boys* we are back in mid-1960s Brooklyn, only a week after being released from there for good behaviour in *The Flamingo Kid*. This is a popish *Porkys*, made for American cable. Boys will be boys, insist writer Charles Purpura and director Michael Dinner, even when living under the iron rod of Father Donald Sutherland in an RC seminary. Brief smacks of wit and slapstick occur, but they alternate with ever so Oirish music and cut-out-and-paste characterisation.

Better to sample Souleymane Cisse's *The Wind*, which blows in from Mali bringing comedy, charm and pungent political satire in its romance between a down-at-heel tribal princeling and the daughter of a governing despot. Or *Les Diaboliques*, Henri-Georges Clouzot's classic hairpinning whodunnit of 1955, which in addition to shrieks at midnight and bodies in the bathwater enshrines a luminous early performance by Simone Signoret.

Oberon/Theatre Royal, Glasgow

Max Loppert

You have to hand it to Scottish Opera—when the company gets it collectively in mind to put on an absolute stinker, there's no holding it back, and no other British opera organisation to touch the results for sheer, breathtaking folly. From the people who brought you *The Beggar's Opera*, Tony Palmer's *Turandot*, and the lavatorial *Don Giovanni*, there now comes a production of Weber's *Oberon* (shared with the Teatro la Fenice, Venice). It was intended as a substantial reclamation of one of the most beautiful and worthwhile of all Problem Operas; as it stands, it will probably *crush* all hopes for the work's return to theatrical circulation for decades to come.

Oberon (1826), whose libretto Planché drew from an English translation of Wieland's long narrative poem (1780), was Weber's first work for England (for Covent Garden), and his last of all; he was mortally ill on arriving in London, where three months later he died. (In John Warrack's admirable Weber study, this final chapter makes harrowing reading.) Planché took a good tale of crusaders, Moors, and fairies, and reduced it to the lowest level of prevailing London taste—full of spectacle and high-flown poetastery, devoid of sensible structure. And it was on this that Weber's final theatrical mastery was lavished: in Tovey's famous phrase, he "poured his last and finest music into a pig-trough."

Ever since the first succes of the work, it has mostly lain on the shelf — loved for its musical marvels, its economical miracles of melody and orchestration, its splendid variety of atmospheres and moods, despaired over for its gimcrack text. Many reworkings have been tried (by Mahler, among others), few have come off. *Oberon* deserves rescue. In these pages, 18 years ago, Andrew Porter recommended to Covent Garden an attempt at "a brilliantly re-written version of the Planché libretto, not cut to shreds, superbly acted (and, of course, sung), and sumptuously *produced with every magical* trick in their book."

Until now his challenge has been resisted. And Scottish Opera would belatedly seem to prove him right by default, by going against him in everything apart from some aspects of the musical execution. Anthony Burgess, commissioned to write new words, has come up with a modern-day farrago about American airmen and hostages in a Muslim oil state of mind-boggling witlessness, banality, and dramatic flaccidity, with cheap jokes about opera and *soi-disant* Alienation Effects to make this an unbroken three hours of cringes and winces, and with lines for singing that are a catalogue of blunders. Warrack discerned three worlds that Weber found in Planché: the chivalric, the oriental, and the enchanted. Burgess collapses them all into a single style of limpness. If this was his method of showing that Planché is really not as bad as we all thought, it was a rather elaborate way of going about it.

Faced with such stuff, Scottish Opera should simply have cut its losses, paid its author off, and *buona notte*. Instead, it got Graham Vick, Director of Productions and second architect of disaster, to try to make a go of it. Mr Vick decided that the whole fantasy must be contained within a reference to the early cinema (which provides Russell Craig's basic set *and some back screen projections*), and he set about hammering his point home with a desperation only equalled by its magisterial foolishness. The assortment of desperate devices includes Oberon in Von Stroheim get-up (and poor Robin Leggate struggling with a sick Cherman eggsent), the Act 2 fairy finale accompanied by Busby Berkeley routines on film (he emerges as the hero of the evening), and a *Yankee Doodle Dandy* finale. The period changes from minute to minute. Dialogue delivery is mostly painful. The show in its entirety is a double delivery of nonsense.

It's remarkable, therefore, how well the cast survives in these lamentable circumstances. Dennis Bailey, a native Missisippian (who shows up the wobbling American accents elsewhere), brings unsuspected charm and lightness of touch to the airman Hugh (Planché's Huon); though his technique is not quite up to the ferocious E major entrance aria (which for the first tenor, Braham, Weber unwillingly replaced with another), the big voice is artistically used. Mr Bailey's return to form compared with his most recent British showings is cause for rejoicing. Janice Cairns has to force her tone in "Ocean, thou mighty monster" (Weber's notions of vocal possibility were bold but unrealistic); as ever, her willingness to give her all makes one tolerant of failings.

Smaller roles are well sung by Mr Leggate *(malgré tout)*, Geoffrey Dolton, Beverly Mills, and the mermaids Margaret Preece and Anne Rodger-Bowen, and the chorus is excellent — if, indeed, one could shut one's eyes and block out the words all the way through, the singers would provide the basis for an enjoyable *Oberon* concert performance. Of the orchestra under Alexander Gibson it was harder to say the same: quicksilver virtuosity was in short supply, and Weber's infectious rhythms tended to go limp. To think that, in living memory, this company once had the sharpest identity, the most decisive artistic policy, the most exciting prospects of any in Britain . . .

Ashton ballets/Covent Garden

Clement Crisp

The Royal Ballet is paying tribute to its founder choreographer, our Poet Laureate of the dance, with an evening in which *The Two Pigeons* is preceded by a copious hors d'oeuvre of divertissements largely from his felicitous hand. Ashton style, Ashton elegance, Ashtonian wit in manner and matter, are a central fact of our national ballet, and Antoinette Sibley and Anthony Dowell in the *Thais* Meditation, Sibley and Fernando Bujones in Friday's Child from *Jazz Calendar*, tell us everything about it.

Thais is languor and passion; Friday's Child is sensuality allied to purest line, and they both looked marvellous with these casts. The lunar serenities of *Monotones II* were also featly displayed by Deirdre Eyden, Mark Silver and Jay Jolley, but the culminating duet from *Sylvia*, the huntress yielding — all charm — to Aminta, seemed lacking in emotional warmth in the performance by Fiona Chadwick and Wayne Eagling.

Femininity of a deliciously feline kind was everywhere apparent in the novelty of the evening, the first London showing of a capriccio for Merle Park. *La Chatte metamorphosée en femme* was one of Fanny Elssler's most celebrated roles. Ashton's solo, created for Miss Park in Vienna's tribute to its greatest dancer in the centenary year of her death, finds the ballerina in a pretty recreation by William Chappell of the costume Elssler wore, preening, clawing a chaise-longue (as is the way with cats), her metamorphosis ruined by the appearance of a mouse (lightly sequinned, this being a balletic animal). It is a brief, happy sketch, happily danced to some fetching Offenbach.

One further non-Ashton item completed the divertissement: the *Corsaire* duet, which allowed Fernando Bujones to display prodigious feats of virtuosity with that combination of ease and faultless schooling that is so grandly his. His partner was Ravenna Tucker, a dancer of sweetness and grace, but so recessive in manner on this occasion that one wondered why the bold pirate was making such a fuss about her.

The Two Pigeons has ever seemed to me to be the reverse side of that rare coin whose obverse is *Fille mal gardée*. Created within a year of each other, these two masterworks tell of differing varieties of young love. *Pigeons* is sentiment, where *Fille* offers sunnier joys. *Pigeons* demands, and on Wednesday night only partially received, a freshness of feeling, an innocence of style, sophistication of means hidden under the pretty playing of the young lovers and the voluptuous swaying of the gypsy girls.

Lesley Collier and Stephen Jefferies were the young girl and her true love, Genesia Rosato the Romany menace to their bliss. The dancing was bright and Mr Jefferies extracts every atom of drama from his role.

Downchild/The Pit

Michael Coveney

Third and final round (seconds away) in the RSC's Howard Barker season is this late 1970s fantasy, re-written and refurbished for its premiere, about the tracking down of political and murderous shenanigans in Devon by a waspish socialist Fleet Street star. Tom Downchild is discovered in a sunlit cornfield inhaling clues from a pair of scythe-wielding labourers while an unseen party attends to his sexual appetite.

For its first, exhilaratingly entertaining act, the play proceeds as an Englishy thriller parody with poisonously satirical points of reference. Downchild and criminal sidekick, the blond Stoat fresh out of Wandsworth (Brian Parr), are led to a Welsh former Primer Minister by his Downing Street floozie, the disguised Catford opportunist Ann Heyday (Ann Mitchell). From the local vicar (Norman Henry) they learn of ancestoral ghosts and hereditary lunacy. There is a plot to bump off the evasive mustachioed peer-"Lucky" (Tony Matthews), and *a climactic and scabrusly*-funny country house finale.

The play burns inwards to the carpet, a centripetal dynamic perfectly matched in performance and the joint direction of this season's Barker barkers, Bill Alexander and Nick Hamm. Again, a superb company is led from the front by Ian McDiarmid as Downchild, elegant in fine suits, merciless in his pursuit of others' unhippiness, jaundiced and dead-eyed after a lifetime's muck-raking. But Tom, too, is stripped (literally) naked and obliged to splutter witty reminiscences of Guy Burgess under the politician's vengeful heel.

The play then explodes and settles into a disquisitory trial, Downchild robed mockingly in the church while Stoat, up a ladder, paints over the 15th century fresco a contemporary scene of mob riot and discontent. Unto them a child is born, and bought, and then suspended in a daring cliff-top melodrama between the despair of the future and the debauch of the present. Paul Freeman as the old, stick-wielding socialist betrayer, Ray Scadding, is at last reduced to tears.

It all caps, in triumph I would say, a most challenging, irritating, bold and boldly presented season of a writer whose place in the contemporary theatre is fiercely championed by some, hotly disputed by others. The situation is unlikely to alter.

Czech Philharmonic/Festival Hall

Paul Driver

The Czech Philharmonic Orchestra seemed a sturdy band when they played at the Festival Hall on Wednesday night—taut, powerful massed string sound, with plenty of oomph if not a wide range of colour; winds who always did their job ando ften with flair; an overall effect of unpretentious solid musicianship that by no means excluded spontaneous life and occasional fiery bravura.

They had not chosen a massively interesting programme, nor one likely either to sell the house or to bring it down, though Max Bruch's first violin concerto was perhaps included with such eventualities in mind. This work in fact received the least distinguished performance of the evening; the soloist Vaclav Hudecek started with nervous untidiness, and continued with a way of executing his phrases that, even when it was accomplished, suggested he had little genuine love for the concerto, still less anything new to say about it. There was no lovely lingering in the Adagio; indeed tempi throughout were too brisk—the Allegro seemed shorter than ever. Orchestra and soloist rarely engaged in constructive dialogue.

Dvorak's relatively little-played sixth Symphony in D, Op 60 (also known as his First) revealed the orchestra in a much more vivid and appealing light. Something of their national character now came through, not just in the vigorously rendered Slavonic dance-like third movement *(Furiant)* but in a freh, biting, well-rounded general approach. There is nothing flasby about this orchestra, but evidently nothing stodgy either, and much that is intense.

Jiri Belohlávek conducted with enthusiasm as well as panache. The concert began with Martinu's sombre and astringent *Memorial to Lidice* —an attempt to record in tones something of the horror of an especially vindictive Nazi atrocity. And it ended worlds away, worlds before, with encores of *The Bartered Bride* overture and a Dvorak *Slavonic Dance*.

Electronic Music Now/Bloomsbury

Andrew Clements

The compendium of electronic music that the Arts Council Contemporary Music Network is taking around the country had its first date on Wednesday night at the Bloomsbury Theatre. It can be heard tonight at Arnolfini, Bristol, and next week in Nottingham, Sheffield and Liverpool. Under the direction of Tim Souster and Denis Smalley the range of music is wide, and the mixture of media lively.

Two of the works are new. Nigel Osborne's *The Four-Loom Weaver*, for mezzo-soprano and tape, was commissioned for the tour. It takes the sounds of Lancashire mill machinery, transforms and multilayers them via a computer and superimposes the voice of the soprano. The composer confesses to being "fascinated and terrified" by the sound of the mills as a child, and the world he re-creates in the work is one of dark, threatening textures, with which the soprano first attempts to "rhyme" by means of wordless consonants, and later tries to conquer with a keening chant that is presumably the ballad from which the piece takes its title. Everything is directed towards that powerful fusion of melody and desperate mechanical ostinatos, and the final effect is impressive though whether it justifies the rather uneventful beginning to the work is less certain.

Certainly it has a good deal more substance than Tim Souster's *WORK*, for a computer-operating pianist, which was commissioned by Philip Mead who was due to give the performances on this tour. Mead has recently broken a wrist, however, and the composer himself became the soloist in what proved to be a harmless enough game between *performer* and machine, as each tries to outdo the other in technique.

Mead's injury also necessitated the replacement of a work by Marco Stroppa with Horacio Vaggione's *Octuor*, a fascinating tape piece of IRCAM pedigree, which has both lucid structure and elegant ideas. Denis Smalley's *Waves* has been heard before, put together with the composer's usual fastidiousness and sense of proportion, even if in this context it seemed a trifle long-winded. Jean-Claude Risset's *Inharmonique*, for mezzo and tape, provides Linda Hurst with her second piece of work for the *evening, but it is a sugary colloquy* of electronic twitters and vocal commentary that manages to accommodate an impressive selection of electronic clichés in its brief span.

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Theatre

NETHERLANDS

Nijmegen, Schouwburg. Lamda Theatre from London with Thornton Wilder's Skin of our teeth. (Thur). (221100).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

I'm Not Rappaport (American Place): A better title might have been Mensch on a Bench for Herb Gardner's touching, funny and invigorating play about two oldsters embodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just bickering with each other. (8694731).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earthbound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Phedra (Aldwych): Welcome return of last year's Philip Prowse production, beautifully costumed, with a brave attempt at the Racinian metre in Robert David MacDonald's translation. Glenda Jackson superb in a strong cast also boasting Georgina Hale, Joyce Redman, Gerard Murphy and Robert Edison (836 6404).

CHICAGO

Government Inspector (Goodman): The Gogol wit directed against bureaucracy has enjoyed a sympathetic hearing in America the latest contribution being this season-opener directed by Frank Galati with Keith Reddin starring with I. M. Hobson. Ends Nov 10.(443 3810).

WASHINGTON

The Good Person of Szechwan (Arena): Garland Wright directs Ralph Manheim's translation of the Brecht parable in this season opener for an outstanding repertory company. (488 3300).

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

TOKYO

The Music Man: another Broadway hit performed in Japanese. Hibiya Chanter, Theatre, near Ginza exit of Shinbashi Station (571 1003).

Saleroom/Antony Thorncroft

Silver sale totals £½m

A pair of George II sauce boats made by the celebrated Paul de Lamerie in London in 1740 sold for £79,200 at Sotheby's silver sale yesterday. They were bought by the London dealer Koopman. In 1823 R. J. & S. Garrard made an identical pair to match—they sold yesterday for £19,250.

The demand suggested a healthy market, with a total of *£577,170* and only *7.13* unsold. A rare Charles II "Wager cup" in the form of a woman with a wide skirt holding a cup sold for £50,600, as against a £20,000 top estimate. The idea was that the drinker drained wine from the skirt and from the smaller cup without spilling a drop.

S. J. Phillips, the London dealer, paid £39,600 for eight table candlesticks made in London in 1724 by David Willaume I, while Koopman bought four 1828 candlesticks by Rundell, Bridge and Rundell for £31,900.

The first auction of Penguin books, part of the 50th anniversary celebrations, totalled £6,300 at Phillips yesterday for 3,000 books, mainly first editions. Penguin No 1 "Ariel" by André *Maurois, sold for £120*, double its previous best. "Escape in vain" by Georges Simenon, signed and donated by the author, made £130 and a hard back edition of "Cold Comfort Farm," donated by Stella Gibbons, went for £130. At the other extreme, "Lace" and "Lace II," signed by Shirley Conran, made £20.

Phillips also sold the correspondence of Elizabeth, Queen of Bohemia and her family, which included Prince Rupert of the Rhine and Sophia, mother of King George I, for £26,500. They had been the property of the Craven family.

Christies' held a minor funiture sale which totalled £203,213, with a stiff 20 per cent unsold. A Regency mahogany dining table did well at £8,100 and a pair of Regency rosewood and parcel gilt console tables went for £6,264.

Sotheby's began the dispersal of the John Sheldon collection yesterday afternoon. Sheldon ran the New Bond Street retail jewellers of Bentley & Co, and for half a century put aside choice items for his private collection. Top prices in the first session, which was devoted to silver, were £46,200 paid for a French chocolate pot made in 1764 in Paris by Francois Thomas Germain, and £17,600 for a pair of Queen Anne table candlesticks by Joseph Bird.

But the star item of the auction was a George II bread basket made by Paul de Lamerie in London in 1742. It sold for £94,600 to Spink.

'Les Miserables' to transfer to the Palace

The Royal Shakespeare Company/Cameron Mackintosh production of *Les Miserables*, at the Barbican Theatre, will transfer to the Palace Theatre on December 4.

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Mr Reagan disappoints

PRESIDENT REAGAN'S speech before the United Nations General Assembly yesterday is a profound let-down. Mr Mikhail Gorbachev has seized the high ground with his projection of a dynamic image, with the appearance of a willingness to engage in a new approach to East-West relations, and with his dramatic-sounding offer of radical cuts in nuclear weapons. These appearances of hope may turn out, when tested, to be illusory. But the world, and especially the west, expected President Reagan to respond in kind, at least to regain the initiative. It has been disappointed.

As far as the world is concerned, the central issue for next month's Reagan-Gorbachev summit in Geneva is nuclear arms control, and in particular the Soviet proposal submitted to the on-going Geneva negotiations. Mr Reagan yesterday again welcomed these proposals which, he said, contained "seeds we should nurture." But he gave no clue as to how the U.S. would reply to them; more surprisingly, he did not even mention the proposals which Washington has had on the table for several years, which would also lead to deep cuts in nuclear weapons.

Since the Soviet proposals do contain constructive elements, there is no absolute reason why they should not be the basis of negotiation. But the outcome is likely to be less favourable for the U.S., and for the west as a whole, if they appear to be the only item on the agenda. President Reagan's silence on the U.S. position, apart from a reiteration of the hopes he reposes in his Star Wars anti-missile defence programme, strongly suggests that Washington has been too distracted and too divided to settle on a counter-offer of its own.

The most recent distraction has been the U.S. flip-flop over the 1972 Anti-Ballistic Missile (ABM) treaty, which severely restricts or bans testing or deployment of anti-missile defences. The hawks at the Pentagon managed to secure legal advice that the treaty could be interpreted to give the U.S. great freedom in testing exotic new systems; protests from the arms control community forced President Reagan to decide that the U.S. would in practice observe a restrictive interpretation of the ABM treaty. In the event, the argument has not served the purposes of the hawks—except by diverting attention away from the necessity to formulate a counter-offer on offensive nuclear weapons.

Nevertheless, the observance and the future survival of the ABM treaty is also a central issue in these negotiations. It is easy to sympathise with President Reagan's long-term hopes for a more effective anti-missile defence; first because his sincerity is unmistakable, second because some defences might, in some closely circumscribed circumstances, be helpful for nuclear stability. But this is no time for another plaintive apologia for the virtues of his vision.

The hard fact, and it is known to everyone, is that there can be no deal on offensive nuclear weapons unless there is also an agreement on the future of defensive systems. If there is to be a deal, President Reagan's Strategic Defence Initiative must, in some sense, be on the table for negotiation. At this moment, it is unnecessary, and probably undesirable, for the U.S. to state publicly in what sense. But it is pointless to go on repeating that SDI will not be on the table.

Proposals

By contrast, President Reagan's new proposal for negotiations to end the conflicts in five third world countries, in which the Soviet Union or its allies are involved, may seem praiseworthy but is scarcely realistic. The Ethiopian government is not likely to negotiate with the Eritreans, nor the Angolan government with Unita, just because Mr Reagan suggests it; and it is far from clear that the Russians could bring about such negotiations, even if they agreed with the Reagan proposals.

These third world conflicts did much to torpedo the detente of the 1970s. If there is to be any chance of a new chapter in east-west relations, they need to be discussed between the superpowers; but the starting point for any improvement in east-west relations must be the most neuralgic issue: nuclear arms control.

University links with industry

BRITAIN'S universities and other publicly-funded research institutions have on the whole displayed praiseworthy initiative in response to the Government's financial cuts of the past few years. In reacting to reductions in funds from the University Grants Committee and other state-funded bodies such as the research councils, the universities have been falling over themselves to set up mechanisms to raise money from other sources, primarily from industry.

The activity has been especially evident this week at the Techmart exhibition, sponsored by Barclays Bank, at the National Exhibition Centre in Birmingham. This annual event is a useful occasion for people with technologies to sell to meet potential customers. University marketing representatives, a class of person little heard of in Britain until recently, are much in evidence at the exhibition. Helped by glossy literature and imaginatively designed stalls, these people are atempting to convey to industry that universities have expertise to tackle routine commercial problems and that their research skills can be relevant to a company's longer-term strategies.

To a large degree they are succeeding. Over the past few years, the universities have gradually stepped up the cash they obtain from industry in the form of research contracts. The sum is running at about £32m a year. Probably more important, universities have shown they can spin off independent companies that trade in their own right. Cambridge University has probably had the most success in aiding the creation of small technology-oriented businesses that use expertise from the institution's engineering and computer departments. Companies on many of the dozen or so science parks around Britain are aided by strong links with universities.

These links with commerce are wholly commendable. They represent, however, only a minor part of universities' activities. It costs the country some £2bn annually to run the 46 universities, of which £1.3bn comes directly from the public purse, via the University Grants Committee. Another £306m comes from research grants, the lion's share from the research councils or from government departments. It is idle to imagine industry can—or should—contribute anything other than a small fraction of the total.

It must not be forgotten that the main role of the universities and other similar organisations is to teach young people and to conduct long-term research. Although the current interest by the universities in selling their expertise to commercial organisations is welcome—and long overdue—there is a danger that the trend can go too far

The expertise the universities are selling now is, after all, based on research which they started probably 10 or 15 years ago. There is a continual need to fund work of little short-term potential but which examines fundamental scientific areas that could have applications further in the future. If Britain's universities become—or feel that they are forced to become — little more than contract research and development organisations for industry then their role in providing a source of ideas for the 1990s and beyond will be threatened.

Public money

The danger is magnified by the further university cuts in the pipeline. The Government has not yet spelt out their nature, but the UGC is working on the assumption that until 1990 the sums it will hand out to universities will be reduced by 2 per cent a year. In a climate in which the universities seem to be devoting a major part of their activities to raising cash from the private sector, it may be all too easy for the Government to claim that the shortfall in public funds can be made up by contributions from industry. In strict financial terms, this may be true. But by concentrating on short-term contract research to the neglect of more fundamental work, the universities would be failing to sow the seeds for useful and profitable activities later on.

The possibility arises that Britain, having woken up belatedly to the need to involve significant segments of its university activities with industry, may move so far in this direction that it fails to give its higher education establishments the resources they need for the future. In return for these resources the Government must satisfy itself that public money will be spent efficiently on teaching and research programmes of demonstrable quality. But to expect industry to fill the funding gap is not realistic.

Why services may be no substitute for manufacturing

By Michael Prowse

THE bald facts about Britain's recent economic history are well-known. In the past decade, manufacturing output has declined in real terms by about 10 per cent.

Some parts of the service economy, however, have expanded rapidly: output of financial services, for example, has grown by about 70 per cent over the period. Overall, services have grown about four times as fast as production.

This decisive shift towards services—some call it "de-industrialisation"—has had important employment consequences.

In the past decade, nearly three million jobs have been lost in the agriculture, energy, construction and manufacturing sectors but little more than one million gained in services. The structural change at a time of sluggish overall growth has thus been accompanied by a big increase in unemployment—the effect of the decline in employment being exaggerated by a growing labour force.

The facts are clear, but what do they mean? Is the British experience of de-industrialisation mirrored in other advanced economies: is it an international or a purely domestic phenomenon? Is, as some economists argue, a shift towards services both inevitable and desirable in a mature economy—as natural as the way manufacturing earlier supplanted agriculture? What are the longer-term implications for employment?

Before tackling these questions, an immediate caveat is necessary. The output of services is difficult to measure and the border-line between production and services is necessarily arbitrary. Different countries define services differently and measure them on a different basis. Any claims therefore about long-term trends within a country should be taken with a pinch of salt; international comparisons should be received with even greater scepticism.

In comparing the relative contribution to GDP of services and production, it is crucial to use volume indices which abstract from price changes. In the past 20 years, changes in the price of services relative to manufactures go a long way to explain the structural shifts.

Thus although more up-to-date figures are available which show the relative contribution by value to GDP of production and services, they are less enlightening than the volume indices in the table, which were supplied by the Bank of England.

Several important themes emerge from the table.

● De-industrialisation has occurred in every country except Japan in the sense that services account for a larger proportion of GDP. Moreover, the shift towards services has ben decisive only since the early 1970s.

● De-industrialisation has gone further in the U.S. than in the UK: the share taken by services in the American economy is considerably larger than in Britain and its manufacturing base is proportionately even smaller. The two economies stand out as being more service-oriented than the others.

● British manufacturing industry has experienced a sharper decline than any other in the past decade or so (in the U.S. the share taken by manufacturing has been low for 20 years). In the early 1970s, manufacturing was as important in the UK as in Italy or France (although less dominant than in West Germany); its share of GDP is now considerably lower than on the Continent.

● It is Japan rather than Britain which is the odd man out. In Japan, the share of services in GDP has continued to contract since the early 1970s—at about the same pace as in the 1960s. The importance of manufacturing in the economy has continued to grow.

● In every country, there has been a shift of employment from manufacturing to services which, in most countries, was evident in the 1960s as well as more recently. The impact of de-industrialisation has been more marked in employment than in output terms.

Are these international comparisons flattering or disturbing for the UK? They confirm that the shift towards services is not a purely British prenomenon but leave open the question of whether the magnitude of the structural change in the UK has been excessive. Is it a good or a bad thing that the UK economy is modelled much more closely on the U.S.'s than on Japan's or West Germany's?

It is important to get the role played by North Sea oil into perspective. In an accounting sense the fact that the share of manufacturing in GDP has declined by about five percentage points since the early 1970s, while it has remained roughly stable in France or Italy, reflects the growth of the UK energy sector. But two points are worth noting.

First, although the growing share of oil in GDP had to come at the expense of another sector, it did not have to cause the absolute decline of any sector. In principle, there was no reason for any decline in the real rate of growth of either manufacturing output or exports on account of oil. Increased energy extraction could have been simply a net addition to GDP and resulted only in an abnormally high growth rate for the economy as a whole.

Such an outcome would, of course, have required rather adept macroeconomic management with an explicit effort to counter any tendency for oil to push up the real exchange rate.

Secondly, although oil did in practice (regardless of whether this was necessary or desirable) substitute for other tradeable goods, there is little reason to suppose it did more than shake up the production side of the economy. The overall split between services and production might not have been much different in the early 1980s had the North Sea never been discovered. After all, the share of services in GDP has risen, if anything, more sharply since the early 1970s in France, West Germany and the U.S.

The two important points to bear in mind are that the process of de-industrialisation speeded up in the early 1970s and that Japan seems still immune from it. A conventional and comforting explanation of this would be that Japan is still "catching up" with the rest of the industrialised world.

A favourite argument to justify the growth of services in the U.S. and elsewhere is that they are primarily luxuries while food and manufactured goods are predominantly necessities. As per capita incomes rise, proportionately more is spent on luxuries than necessities and so the share of services automatically rises.

There are, however, several rather obvious flaws in this argument. The first is that Japan's per capita GDP overtook Britain's and much of Europe's some years ago. The second is that while the relative size of the U.S.'s service economy is perhaps justified by its very high per capita GDP, the UK's is not: it is odd to say the least that Britain's service economy is proportionately considerably bigger than West Germany's while its citizens are much poorer.

Third, per capita incomes in the industrialised world grew much faster prior to 1973 than since. Yet in the earlier period, when for the first time the mass of ordinary people were able to afford luxuries as opposed to bare necessities, the structural shift towards services was much less pronounced in the U.S. and the UK, and non-existent in Continental Europe.

A growing share of services may be more a signal of weakness than strength

There are, in fact, strong reasons to doubt the thesis that output of services will increasingly supplant output of goods as economies grow more sophisticated. Indeed, a growing share of services may be more a signal of economic weakness than of strength. In a recent book*, Mr Jonathan Gershuny and Mr Ian Miles of the Science Policy Research Unit at Sussex University argue convincingly that there may well be no long-run tendency for the share of services in the GDP of advanced economies to rise over time.

Their argument is that both goods and services are ultimately produced to meet the demand for what they call "final service functions"—for example, sustenance, shelter, transport and entertainment. The mix of goods and services in the provision of these fundamental human needs varies over time but there is little reason to suppose that services will be dominant in the long run.

Take transport as an example. Earlier this century, this was purchased mainly as a service—whether as trains, taxis or buses. But the 1950s and the 1960s saw the inexorable rise of the motor car: this was a typical example of a manufactured good substituting for what was previously a directly purchased service. The combination of a tangible commodity—a motor car—and informal unpaid labour—driving one's self about—was able to meet the final service function of transportation more efficiently than a directly purchased service.

Much the same has occurred in the provision of the final service of entertainment. The creation of new consumer durables, televisions and hi-fis, led to the decline of cinemas and music halls: there was a decisive move towards goods in the supply of this final service. A similar metamorphosis has occurred in the provision of domestic services: the invention of durables such as washing machines and vacuum cleaners has made it more cost-effective for people to look after themselves than employ domestic servants.

The important point is that there is a continual incentive for entrepreneurs to manufacture goods which can substitute for previously purchased services. The reason is that there is very little scope for productivity gains in the direct supply of services: waiters are little more efficient today than in 1800. The consequence is that the relative price of directly supplied services rises relative to that of goods encouraging the purchase of manufactured goods.

Thus although as per capita incomes rise there is a tendency for proportionately more to be spent on luxuries, there is also, because of this relative price effect, a tendency for luxuries increasingly to be embodied in tangible goods. The evidence is that the share of services in consumer spending does not rise over time.

So what explains the sharp shift towards services in the UK and U.S. and most other big advanced economies besides Japan since the early 1970s? First, there has been a tendency, until very recently, for non-marketed, public sector services such as education, social security and medicine to rise as a share of GDP, although even here the "relative price effect" has been important: part of the opposition to a higher public spending reflects the belief that the value for money of these services has been falling.

Second, there has been a substantial growth of intermediate or "producer" services which are supplied directly to companies. But even here there is considerable scope for tangible goods to substitute for directly supplied services: for example, computers substitute for clerks.

But the principal reason why the share of services may have risen is that the manufacturing industries in some western countries have grown moribund and are no longer performing their long-run function of producing tangible goods to substitute for directly purchased services. Japanese entrepreneurs, by contrast, are still seeking out profitable service-substitutes with greater zest, which is why their manufacturing sector continues to grow in importance.

If there is no long-run tendency for services to substitute for goods in advanced economies, the de-industrialisation of the UK and U.S. economies in particular may be an ominous development. These economies' ability to meet the final service needs of consumers may be declining as fast as Japan's capacity is rising.

** The New Service Economy, by J. Gershuny and I. Miles. Francis Pinter, £18.50.*

This is the second of two articles. The first appeared on October 14.

THE INTERNATIONAL SHIFT TO SERVICES

	SHARES OF SERVICES IN: GDP Volume %	Employment %	SHARES OF MANUFACTURING IN: GDP Volume %	Employment %
UK				
1964	51.8	51.3	30.2	33.9
1972	53.1	56.0	30.0	32.1
1981	55.6	63.4	24.9	25.6
U.S.				
1964	57.9	—	24.8	25.8*
1972	59.6	65.8	24.7	23.4*
1982	64.0	70.1	22.8	19.6*
JAPAN				
1964	51.7	—	24.1	—
1972	50.3	44.2	31.1	26.8
1982	48.8	52.7	30.8	24.3
GERMANY				
1964	45.2	37.4	40.7	37.2
1972	45.9	42.4	37.6	37.0
1981	49.7	48.1	33.2	33.7
FRANCE				
1964	51.6	—	27.4	—
1972	49.7	32.5	32.2	26.5
1981	53.7	58.0	31.2	23.7
ITALY				
1964	48.2	36.1	25.4	25.8
1972	48.6	42.6	29.5	27.7
1982	49.6	50.0	31.5	26.2

* Excludes self employment.

Source: Bank of England.

Men and Matters

Hurst of Brook Street

Margery Hurst, dynamic 72-year-old doyenne of the secretarial agencies and co-founder of Brook Street Bureau, talked with mixed feelings — regret nostalgia, pride — after the sale of her company yesterday.

"A £50 overdraft and a typewriter in 1946 became a £19.2m company in 1985," she said proudly. But the story is not entirely one of rags to riches.

The daughter of a wealthy film producer, Hurst reckons she got her business acumen from a spell of office training in the wartime ATS. She also found that she got on wel with the women she led.

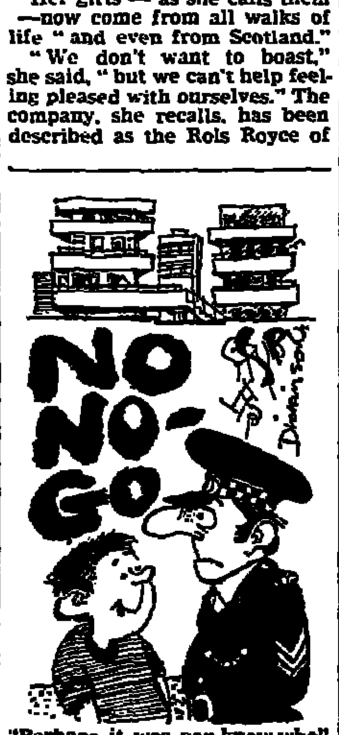
She aplied these wartime lessons to the small Mayfair organisation which she set up. It started off with a rather 'debby' image but has since extended its social and geographical net far wider.

Her girls — as she calls them —now come from all walks of life "and even from Scotland."

"We don't want to boast," she said, "but we can't help feeling pleased with ourselves." The company, she recalls, has been described as the Rols Royce of the employement agencies and the blue chip of the recruitment industry.

Hurst, and her husband, Eric, who gave up his practice as a solicitor to help run the company, will share around £10m from the proceeds of their shares. But this wil not be spent entirely in relaxed retirement.

She remains as non-executive chairman within the enlarged Blue Arow group, to ensure, no doubt, that her "baby" continues to be reared with care.



"Perhaps it was you-know-who"

Foreign films

Though few are likely to be aware of it, today is an anniversary of special significance for British cinemagoers who enjoy watching foreign films.

Exactly 60 years ago, half-a-dozen film enthusiasts met in London to pool ideas about the future of the British cinema and, in particular, to get the work of the great Continental producers and directors into the country.

They were the six founder members of the Film Society, only one of whom, Lord Bernstein, president of the Granada Group, now survives. The others were Adrian Brunel, a member of the engineering family, sculptor Frank Dobson, Hugh Miller, film producer Ivor Montagu, and Iris Dobson.

"At the time we got together," says Bernstein, "there was no existing system of bringing great foreign films to Britain. We had to go out and find them.

"This way, we shared with genuine film enthusiasts works by the really great producers and directors — Eisenstein, Pudovkin, Lotte Reiniger, Renoir and Cavalcanti."

The Society was disbanded at the outbreak of war in 1939—but Bernstein will be a guest tonight of the British Film Institute which is celebrating the anniversary with a repeat screening at the National Film Theatre of the Society's first film show on October 25 1925.

No comment

The art of concealment behind the Financial Times is given an important place in Michael Green's hints on survival in the hurly-burly of office life.

Green, humorous exponent of so many "coarse arts," says in The Art of Coarse Office Life (Century Hutchinson, £6.95) that the office worker's greatest need is to appear busy. "Always keep handy some papers to pore over."

But, he warns, the person who reads Lady Chatterley's Lover, and declaims the more interesting bits aloud . . . gets found out. "The man with a book underneath the Financial Times will survive."

The FT is an expensive but excellent publication, says Green. "The publishers have made it so big it will hide the average office worker completely. . . ."

Curtain raisers

Hungary has chalked up another commercial first in Eastern Europe.

The basketball team of Budapest technical university has lured two professional American basketball players to play for the BTU team—for dollars.

Sylvester Norris and Bryan Pollard may be only minor heroes back home in the U.S., but in Hungary they tower over their team-mates. In one of the early games they led the Magyar team to victory over the Greek team AEK.

But where does the Hungarian university get the hard currency for such a coup?

The answer is that it concluded a co-operation deal with an Austrian electronics firm, Festo, which pays the Americans in dollars as their sponsor.

Festo has had a good working relaitonship for some time with BTU and now hopes to become even better known in Hungarian technical circles through the basketball sponsorship.

The Austrian company is also paying the fees in dollars for the two Americans who are studying architecture and physical education at BTU. Hungarian universities earn hard currency by taking in western students for dollars.

Battle lines

Is Michael Heseltine preparing for a war of words over the Treasury's attack on his defence budget?

The Ministry of Defence, I hear, has just ordered 200 copies (at £2.50 each) of the Confederation of British Industry's booklet, The Headline Business — a businessman's guide to working with the media.

This new weapon is said to have been acquired to reinforce the Royal Navy in future engagements.

The CBI, which has been struggling for years to dispel the myth that the man in Whitehall knows best, regards this call on its services as a major breakthrough.

Hello, hello...

Chancellor of the Exchequer Nigel Lawson, was seen deeply engrossed in conversation with the Johnson Matthey Bank investigator supreme, Brian Sedgemore, Labour member of parliament for Hackney South and Shoreditch, in the Commons this week.

"Brian, I find the letters you keep writing me fascinating," Lawson was heard to say. "I think I could get you a job in the Fraud Squad if you wanted one."

Much merriment all round followed.

Observer

POLITICS TODAY

Unemployment could breed unemployment even at 3% inflation

By Malcolm Rutherford

MR NIGEL LAWSON, the Chancellor of the Exchequer, has a basic rule about the calling of British general elections. A government, he says, should always go on till the end of its time or thereabouts, unless there is a golden opportunity to go to the country before—as there was in 1983 when the Tories were returned with a vastly increased parliamentary majority.

He told the Conservative Party Conference in Blackpool earlier this month that the next election will be in 1988, rather than in 1987 as has sometimes been speculated. Not that he has the final say in the matter, or anything like it. Yet his words should be taken seriously, for they help to explain what the Government is trying to do.

What has gone wrong with Mrs Thatcher's administrations over the years has been the timing. Everything has taken longer to achieve than was expected or hoped. Even the timing of the 1983 election, though tactically brilliant, was a mixed blessing because it was called so quickly that the Tories went to the polls without a strategic manifesto: certainly nothing to compare with what they had presented in 1979.

Yet six years in government, with the likelihood of nearly three more to come, is a long time. It is a good moment to take stock of what the Conservatives originally promised in 1979 and have delivered, and where they are still found wanting, even on their own terms

Quite clearly, the Government in the autumn of 1985 is at a turning point. It did not need Mr Lawson's spech at the Mansion House last week to tell us that. The Chancellor indicated some changes in monetary policy and said also that in future the Government will seek only to fund the public sector borrowing requirement over the year as a whole; "no more, no less." It was not a U-turn, but it was still a very political speech.

The Government is saying to itself that a number of its original objectives are already more or less in the bag. It set out to reduce inflation; it has done so. It promised to curb trade union power; that has happened. It said it would control public expenditure; the current spending review should produce some evidence of that.

It pledged tax cuts; they should be under way in the next budget, again in 1987, and perhaps a further fling in spring 1988.

Where it has failed, and failed dismally, is on unemployment. The number out of work continues to rise to the point where hardly anyone is predicting that it will be under 3m by the next general election. That is one reason why the Government desperately wants time.

To take the positive achievements first. It was notable that when the Chancellor said in Blackpool and again at the Mansion House that inflation should be under 4 per cent by the middle of next year, he was no longer greeted with hoots of derision.

Forecasts come rather oddly from a man who has always claimed not to believe in them; he says now that they are "fallible but genuine." Still, it is striking that the average rate of British inflation over the last three years has been around 5 per cent: no more great ups and downs. The average should decline next year and the Chancellor is talking about an annual rate of 3 per cent or so by the approach of the election.

He has staked the large part of his reputation on achieving it, barring accidents, but what is new is the willing suspension of disbelief on the side of his critics, at least on that issue.

How far trade union behaviour has changed because of government legislation, recession, unemployment and internal divisions within the union movement is a question open to immense debate. What is incontestable, however, is that the trade union scene in 1985 is not the same as it was in 1979. Union power overall has declined: there is less solidarity; and there have been breakaways.

The formation of the Union of Democratic Miners, splitting from Mr Arthur Scargill's National Union of Mineworkers, is only the most dramatic example. Other unions—the electricians under Mr Eric Hammond and the engineers under Mr Gavin Laird—behave much more independently than they used to. They seek industrial agreements rather than direct political influence.

There may be new dangers in this which we shall touch on later: for example, no-strike agreements, such as offered by the electricians, may lead to excessively high pay settlements without necessarily enhancing employment. But the immediate point is that the picture of union power has been transformed.

Again, this year's public spending review seems to be going reasonably smoothly. The Government is used to it by now. Lord Whitelaw, slightly against his will, has been enrolled once more as head of the "Star Chamber" to adjudicate on the difficult cases and, no doubt, some will have to be referred to the Prime Minister. The Ministry of Defence has been squealing in advance, as it nearly always does, but does not appear to be under any enormous threat. (A side problem is that if defence contracts are deferred for the sake of the annual budget, some shipyards could be in even more trouble than usual.) By and large, however, the review should pass without undue agony.

There is another point here. After six years a Government has decided most of its priorities. The big choices have been taken: for instance, to give more to defence at the start and to double value added tax. So has the approach to public spending in general.

If unemployment starts to fall, it will be a bonus on both sides of the account: less spending on benefits and a gain to the Exchequer from increased tax revenues. If it stays around its present level, it is already accounted for. Nobody is expecting it to double again, or anything like it. Thus the Chancellor is fairly confident about his promises of tax cuts, especially when tied to his forecast — again "fallible but genuine" — of a continuing 3 per cent growth rate.

Political uncertainty comes in with the unemployment figures. Mr Lawson says that they will come down, but he cannot say when. It is a matter of waiting for the other measures to work. He has some good points: for example, the fact that the number of people in work has continued to rise seemed to take the Tory Party Conference by suprise.

Yet at other times the Treasury seems to be clutching at straws. In a speech the other day Mr Ian Stewart, the Economic Secretary, said that unemployment among university graduates fell from 13½ per cent in 1981-82 to 9½ per cent in 1983-84 and called it "a very striking improvement indeed." He added that the number of first degree graduates going into industry rose by 13 per cent in 1983-84 and by 15 per cent in engineering.

Both sets of figures are true, although you have to comb the university statistics to find them. One has the impression that that is what the Treasury is doing: looking everywhere for any sort of evidence that unemployment prospects are improving.

At the same time there is a considerable argument going on between the Treasury and industry about the level of wage settlements. Hardly a Chancellor's speech passes without a reference to their being too high.

Yet the findings of the FT-Marplan poll published in Monday's Financial Times suggests that industry has a quite different view. As many as 73 per cent of the senior directors questioned said that they thought wage settlements in their company were "just about right." Only 9 per cent thought that they were excessive.

There were some other results which indicate that unemployment is hardly likely to fall either very sharply or very fast. Half the respondents said that labour saving was an even more important consideration in their investment planning than it was two years ago. Nearly 60 per cent said that they were not giving any more thought to increasing their company's payroll than they were in 1983.

The Chancellor's initial view of the poll is that the findings are quite encouraging. For instance, nationwide 19 per cent said that they would consider employing more people if labour costs per had fell by less than 10 per cent, while 28 per cent said the same thing in the north. Mr Lawson argues that if one company in five believes that, we may be on the way to lower wage settlements, the more so as a low rate of inflation comes to be accepted as the norm.

There is, however, a different interpretation, widely discussed in the summer issue of the Oxford Review of Economic Policy and borne out by the FT-Marplan poll. It is that companies are settling for a small, highly paid work force and will not willingly increase permanent employment even if output is expanding. They rely on a core group of workers, sometimes supplemented by part-timers and casuals. The unions go along with it because it is the best way to increase the pay of their members in jobs. The arrival of unions more interested in industrial agreements than in pursuing national politics mentioned earlier in this article, may accelerate the trend.

In other words, unemployment may be beginning to breed unemployment. The old trade-offs between lower inflation and higher employment no longer apply. If that is true, the Government may still have to fight the election with over 3m out of work—even in 1988.

Forecasts come oddly from Mr Lawson : he says now that they are 'fallible but genuine'

Mr Nigel Lawson, acknowledging the applause that greeted his speech in the economic debate at the Tory Party conference earlier this month Ashley Ashwood

Lombard

London puts the clock back

By Clive Wolman

THE City of London's bleak winter routine is due to start on Monday morning after the switch-back to Greenwich Mean Time over the weekend. Thousands of international brokers, bankers, money managers and dealers will turn up for work an hour early only to find the telephone lines constantly congested.

The annual winter frustration is particularly upsetting for one of the City's most fondly held beliefs, that London's location in the "central" time zone gives it a permanent and decisive edge in the international competition for financial services.

London's working day not only coincides, more or less, with Western Europe's, the argument goes, it also overlaps, in the morning with that of Japan, Hong Kong and South East Asia and in the afternoon with that of North America. On one, more cynical view, the City owes more to the Greenwich meridian than it does to the expertise and experience of its institutions.

Like the emperors of Rome, the merchants and bankers of the City have been deluded by their world maps—split along the Pacific with Britain in the top centre—into thinking they occupy the centre of the world. Many appear to have forgotten the discoveries of Magellan (and Pythagoras).

From next week the time differences from London will be Tokyo +9 hours, Hong Kong +8 (neither has summer time), New York −5, Chicago −6. Going the other way round the globe, the time difference from New York/Chicago to Tokyo is not +14/15 but − 10/9. So just as the Londoner has to make it to his office by 8.30 am to catch the Japanese before they leave work at 5.30 or 6 pm, the American need stay in his office only to about 5.30 pm in Chicago or 6.30 pm in New York to catch the Japanese when they come into work the next morning.

Even communication between the UK and Western Europe becomes more difficult when the clocks are put back, particularly as the continental working day usually starts at 8 am.

Admittedly on Fridays, London would have an advantage over the other time zones were it not for the orientals' habit of working on Saturday mornings. This allows them to overlap with the Americans while they are still at work on Friday evening.

The orientals and Americans have another advantage: they do not depend on British Telecom to communicate with the outside world. Any Londoner dialling the Far East between 8.30 and 9.30 on a winter morning is likely to be greeted with a message that all the lines are engaged and a recommendation to try again later, i.e. after everyone in the Far East has gone home. (Why doesn't BT at least follow British Rail's example and instal a queuing system?)

But if London's geographical position is not particularly advantageous, putting the clocks back each October makes its situation worse.

There was a period, from 1968 to 1971, when British Summer Time (British Standard Time) prevailed throughout the winter. But the experiment was abandoned after three years. The opinion polls showed the public was in favour of its continuation by a majority of five to four, because it meant lighter afternoons.

But the supporters of BST were overcome by the objection that BST meant excessively late sunrises. The chief opposition came from just two small groups, the Scots and the farmers, both of which wield an influence over British politics disproportionate to their size.

Over the last 15 years however at least two developments have strengthened the arguments for year-long BST. One is the upsurge of trade in both goods and financial services between the UK and Far East, a region disregarded as insignificant in the Home Office Report.

The other development is the UK's entry to the Common Market and the continuing increase in the share of our trade with Western Europe. BST would mean that in the winter months (and October) we would be in the same time zone as the rest of western and central Europe. And if from March to September/October we adopted double summer time (abandoned in 1947), we would have the same time as western Europe throughout the year.

Letters to the Editor

Monetary policy

From Dr G. McKenzie

Sir,—The apparent abandonment of £M3 as a monetary target and the search for a new indicator reflects the unfortunate lack of understanding about financial markets in both academic and government circles.

Historically the UK has been a major international financial entrepôt, frequently leading the way in the development of new techniques which ensure that available resources are utilised in the most efficient manner. In recent years, this efficiency has no doubt increased as the money markets have become less regulated and hence more competitive, not only in the UK but worldwide.

But such competitiveness does have its costs. As the famous 1959 Radcliffe Report emphasised, the presumption is that monetary policy is considerably weakened in the presence of complex financial markets. For example, a restrictive policy will cause unregulated "near-monies" to be held more widely and give the incentive to the city to develop new financial instruments.

As a result no single indicator can possibly capture the the dynamic market processes which characterise the financial sector. It is necessary to study in detail the flows of funds (a) between the productive and financial sectors and (b) within the financial sector. A hodgepodge measure such as £M3 (which includes funds held by corporations, households, the public sector and other financial institutions) can only mask significant changes in the economic environment.

A broader principle is also involved. Unless the complex nature of market processes is fully appreciated it will be impossible for policies to be formulated that ensure efficient operation of the free market system.

(Dr) eGorge McKenzie.
The University,
Southampton, Hants

The report on trade

From the Director-General, Council of Mechanical and Metal Trade Associations

Sir,—We are astounded at the way the Lords Select Committee Report on Overseas Trade is dismissed in such a cavalier way by Samual Brittan (October 17). The committee was asked "to consider tho causes and implications of the deficit in the UK's balance of trade in manufacturing and to make recommendations" and in our opinion completed all these tasks idmirably.

The committee has examined the relattionship between the oil surplus and manufacturing, and consider it dangerously short-sighted to expect an automatic recovery of exports when oil declines, as Mr Brittan suggests. Industries whose equipment, trained labour force, and home export markets have been eroded cannot overnight restore them. Wealth creatiton depends on manufacturing and trade, and we strongly support publicity campaigns to put this over. Many service industries are dependent on manufacturing and cannot therefore replace its earnings.

Did Mr Brittan not read the list of contributors to the report? Over 25 associations and a host of industrialists gave evidence, based on real knowledge of the problems of industry. It is they rather than theorists to whom one should listen. Mr Brittan complains at lack of statistics. He should note that British manufacturing output fell by 4.3 per cent in 1974-84; Japan's rose by 61 per cent; the U.S. 41 per cent; Italy 22 per cent, and West Germany 16 per cent in the same period.

We don't want handouts but we do want equal opportunities. We didn't lose the Bosphorus contract through any fault of industry. We carry a much greater burden of Government-created costs and less export support than our competitors. Ample evidence has been supplied of the help our competitors' governments give their manufacturers.

Come on, Mr Brittan, take off your blinkers and put your undoubted talents to help revitalise industry.

Harry J. Hornsby.
8, Leicester Street, WC2.

Bias against services

From Mr A. Tessler

Sir,—Mr Lorenz is right to express concern (October 4) over the competitivenes of our service exports. Mr Clarke, director-general of the Invisible Export Council (October 11) apears to be unduly optimistic and seems to ignore the strong bias against services in our current policies which threatens their future.

For example, in little more than 10 years our overseas professional earnings have increased 20-fold and now exceed £1bn a year. This is a sector of great promise and deserves the utmost encouragement. Yet the present system of taxation (particularly for partnerships) makes it much more difficult for British firms to set aside funds for promotion compared with, say, the Japanese. Again, government subsidies for the new Nissan plant will amount to some £50,000 per employee. But if a strongly export-oriented professional firm were to set up a new company, the money would have to come out of taxed income.

There are still many industrial dinosaurs being supported at the expense of promising and successful service companies.

Andrew Tessler,
ITI Research Division.
Silverwood,
Park Copse,
Dorking, Surrey.

Ballots and unions

From the President, Social Democratic Party

Sir,—Kenneth Clarke recognises (October 23) that the SDP was the first to campaign for ballots in trades unions to elect officials and whether or not to take strike action. He pays tribute to the SDP's successful pressure on the Government to introduce legislation to promote democracy in unions to make them a more effective force in British industry.

But his comments on possible future legislation show that he has no real commitment to democracy within the trade union movement.

He says he sees no reason why all members of a union should be bound by a decision to strike no matter how democratic the process by which it is decided.

Mr Clarke should accept the true spirit of democracy and not apply his principles in a selective fashion. A majority, democratically arrived at, must be respected by union members just as it is respected by the citizens of our country.

In seeking to negate democratic decisions in this way, he loses credibility as a person committed to a real partnership between unions and management, a vital component of any economic recovery.

This partnership can only come about when responsible trade union leaders, who are now showing their strong commitment to democracy, are able to trust the motives of those in (Mrs) Shirley Williams,
4 Cowley Street,
SW1.

Architectural drawings

From the President, Royal Institute of British Architects

Sir,—It is encouraging that Mr Colin Amery, your Architectural Correspondent, draws attention (October 21) to the achievement of the profession in creating, with no government help, "the finest collection of architectural drawings in the world."

To dispel Mr Amery's anxieties about the proposed move of the collection of drawings from its present totally cramped conditions in Portman Square, it should be mentioned that the proposed new premises will provide more than double the present space; will allow climatic conditions and fire prevention which cannot be achieved in Portman Square; will make it possible for students and the public to consult under one roof the drawings, read the architects' correspondence, find out what contemporary writers thought and what subsequent scholars said and find photographs of the buildings, instead of having to commute between two sites. Moreover, the major *Art of the Architect* exhibition at the end of 1984 drew more than 12 times as many visitors as an average exhibition in the present Heinz Gallery.

The need to think and plan ahead is presenting exciting opportunities which will enhance the drawings collection and provide appropriate facilities to take it into the 21st century. The RIBA, the trustees and staff of its library are delighted with the prospects offered by the proposed move.

L. A. Rolland.
66 Portland Place, W1.

Protecting the investor

From Mr J. Stewart

Sir,—As part of the general debate surrounding the so called financial services revolution, one has become used to being fed a fair amount of ill-informed nonsense although Mr Mullan's letter (October 22) surely takes first prize!

In defence of the Stock Exchange for a change, might I offer reasons why it should in fact be encouraged to not only grow and develop but also used as a model, for others to emulate, in terms of all aspects of investor protection.

For many years now, the Stock Exchange has insisted on: strict adherence by members to very comprehensive rules and regulations; a stringent and regular financial control of the financial position of member firms; full compensation to clients in the event of default by a member firm; examination of all new entrants to membership; and minimal opportunity for a conflict of interests in view of the separate capacity system soon, unfortunately, to end.

It will indeed be a sad day for the City in particular and investors in general if the views of Mr Mullan are allowed to prevail.

J. P. Stewart,
Oakridge,
Abbotswood Drive,
St George's Hill,
Weybridge, Surrey.

FINANCIAL TIMES

Friday October 25 1985

Barings reopens China to direct investment

By George Graham in London

INVESTORS will next week be offered their first chance for many years to put their money directly into China. An investment company is to be launched by Baring Brothers, the London merchant bank, which is claimed to be the first listed company to aim primarily at direct Chinese investment since the fall of the Manchu dynasty in 1911.

The company, to be called China and Eastern, will initially place only about 15 per cent of its funds directly into China. The rest will be invested in "China plays," mostly Japanese and Hong Kong companies with profits that depend heavily on their involvement with China.

An increasing proportion of the company's funds will, however, be invested in joint ventures inside China, principally in Guangdong province, in the hinterland of Hong Kong.

Baring has already identified several investment prospects, including a plastic-flower manufacturer, an open-cast gold mine and a company to erect funfairs. The bank has also arranged for prominent Chinese industrialists to serve on an advisory council.

China and Eastern, which will be registered in Hong Kong and listed on the London Stock Exchange, is unlikely to make use of China's embryo stock market in Shanghai.

Shares in the issue have been for the most part pre-placed, but 25 per cent will be offered to the public next week.

McDonnell Douglas earnings fall 17%

By Paul Taylor in New York

MCDONNELL Douglas, the U.S. aerospace group, yesterday reported a 17 per cent decline in third-quarter net earnings which it blamed on "substantially higher" losses in its information systems division.

The St Louis-based group said net earnings fell to $73.1m or $1.81 a share compared with $88.4m or $2.19 a share in the same 1984 period on sales which grew to $2.88bn from $2.46bn. The results sent McDonnell Douglas's share price lower on Wall Street, down $3⅛ to $68⅞ in early trading.

McDonnell Douglas said that while aerospace earnings were essentially unchanged, higher losses for its expanded Information Systems division occurred "largely because revenues did not grow at expected rates." The company added: "Significant actions aimed at improving information systems' financial performance in the fourth quarter have been taken."

The group, which has expanded aggressively into the information systems business, acquiring companies including Tymshare for $390m last year, also said that losses in the information systems division were substantially higher in the first nine months than in the 1984 period, "chiefly because unfavourable conditions throughout the computer and services industries caused business volume growth to be lower than expected."

McDonnell Douglas added that earnings in the first nine months and the third quarter were depressed by higher interest expense resulting from increased borrowings.

For the latest nine month period the group posted net earnings of $250.9m or $6.24 a share – including a $10m gain from the sale of property – compared with net earnings of $233.6, or $5.82 a share in the 1984 period.

Sales in the first nine months grew to $8.39bn from $7.04bn a year earlier.

Managers face reshuffle at Renault and AMC

BY PAUL BETTS IN PARIS

RENAULT is planning a top management reshuffle in France and at American Motors Corporation (AMC), the U.S. car maker 46 per cent owned by the troubled French state car group, in a further effort to cut losses.

AMC is also actively pursuing contacts with Japanese and South Korean car makers to try to form a joint venture for the production of Jeeps and other four-wheel-drive utility vehicles.

The latest management changes are expected to involve the appointment of M Jose Dedeurwarder, at present AMC chief executive, as Renault's marketing and sales director based in Paris, and the appointment of Mr Joseph Cappy as chief executive of AMC.

M Dedeurwarder is also expected to be named chairman of AMC to replace the current chairman, Mr Paul Tippett, although the U.S. operations will be run on a day-to-day basis by Mr Cappy, who worked for 20 years for Ford before joining AMC in 1982 as vice-president for sales and marketing.

The management changes could be announced as early as today after an AMC board meeting in Paris. AMC is holding its board meeting in France because executives of the U.S. company are visiting the two Renault plants which will be producing an American version of the new Renault 19 medium-range car. This will be launched in France next year and on the U.S. market at the end of next year. The American version of the Renault 19 will be produced at Maubeuge in France and at Renault's plant of Haren in Belgium.

M Dedeurwarder is regarded as a tough manager, and his appointment to head Renault's worldwide marketing and commercial business reflects the continuing efforts of M Georges Besse, Renault's new chairman, to improve the group's financial performance and sales. Renault lost FFr 12.5bn ($1.5bn) last year and is continuing to lose heavily. M Dedeurwarder would replace the marketing director, M Jean Phelupt, who is due to retire at the end of this year.

The new U.S. version of the Renault 19 is part of Renault's overall efforts to renew AMC's range at a time when the Alliance (the U.S. version of the Renault 9) and the Encore (the American version of the Renault 11) are losing ground on the U.S. market. Alliance sales fell from 80,683 cars in the first nine months of last year to 55,525 cars in the same 1985 period while Encore sales have declined from 55,545 to 33,233 during the same period.

Overall, AMC's total sales have dropped from 271,040 cars in the first nine months of last year to 222,910 in the first nine months of this year. The company lost $99.4m in the first half compared with a profit of $9.8m in the first half of 1984 although M Dedeurwarder has forecast a loss of about $100m for AMC for the whole of 1985.

Talks between AMC and Japanese and other Far Eastern car makers are continuing, and there has been strong speculation of negotiations with Fuji, which owns the Subaru marque, to form a joint venture with AMC in the Jeep and utility vehicle field.

The Jeep business continues to be the most encouraging part of AMC's operations with sales in the first nine months of this year increasing to 119,009 Jeeps from 110,363 Jeeps in the year before period.

Apart from the U.S. version of the Renault 19, AMC's car range will be further increased in the middle of 1987 with a large saloon for the American market. It will only be manufactured in Canada where the U.S. car company is building a plant.

Brussels rejects airlines' plan to liberalise European fares

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Commission has poured scorn on the proposals of European scheduled airlines for more liberal arrangements on fares within the EEC as "the vested interests' protection of the status quo" and "the status quo dressed up as flexibility."

Ten days ago, the Association of European Airlines published suggestions for extending fare reductions into what it called discount and deep-discount zones at about 60 per cent of the economy fare price.

It also offered changes in traffic-sharing agreements between national carriers.

The Commission is seeking an evolution from the present system of government-negotiated bilateral agreements to allow more innovation and the inclusion of airlines, many publicly owned, into the framework of the EEC's competition regulations.

The reasons were given yesterday in a speech prepared for Mr Stanley Clinton Davis at a Lloyd's of London conference at The Hague.

On fares, he said, the airlines' proposals would mean no change at all for half the passengers who travel on normal fares. He claimed that some promotional fares were, in any case, as low as 80 per cent of the economy fare. That he classified as the "status quo repackaged," adding that on many routes there would be no change.

He also dismissed a flexibility polan on capacity. It was, he said, "no help to the innovative airline."

The airlines had expressed their willingness to accept competition regulations but their proposals had been carefully hedged to allow for exemptions.

Mr Clinton Davis said that, in effect, the airlines proposed "that the competition rules should apply to air transport as long as they do not affect in any way the cartel currently operated."

That exchange fits into the debate on air liberalisation set of by the publication of the Commission proposals last year. The Commission is threatening legal action for breach of competition laws if there is no political agreement by next June.

The UK Government has been seeking to hasten liberalisation by signing more flexible bilateral agreements with countries such as the Netherlands, Luxembourg and Belgium.

British central bank warns on debt funding of takeover bids

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BRITISH policy on company mergers should take into account the financing techniques use by bidders, particularly if they result in a rise in company debt, according to a top official of the Bank of England.

Mr David Walker, the director responsible for industrial matters and the securities markets, said last night that there would be a public interest concern "if financing techniques in takeovers, and action taken to repel them, seemed likely to raise the overall gearing of the corporate sector in the way that has been experienced in the United States."

Mr Walker's remarks, made at a seminar in Glasgow, Scotland, come at a time of record takeover activity in the UK with many bids, including this week's record £1.8bn ($2.55bn) offer by Elders IXL, the Australian group, for Allied-Lyons the British food and drinks concern – a bid heavily financed by debt.

He said that present mergers policy, based mainly on the competitive effect of a takeover, gave bidders an advantage when they were not in the same business as the company for which they were bidding.

Bidders should suffer greater uncertainty. Apart from scrutinising their finances, the Government might take into account the broader international implications of a merger.

Mr Walker's comments were among several proposals he put forward to correct what he called "the unduly myopic views" of shareholders who put pressure on companies to concentrate on short-term performance and prevent them shaping a long-term strategy.

He said that:

- Institutions should set aside a portion of their portfolio specifically for investment with a long-term view.
- Companies should include in their annual reports an "innovation statement" indicating what resources they were devoting to new products or services that would reach the market in, say, one, three and five years' time.
- A more balanced mergers policy would make companies feel less vulnerable to takeover and encourage them to undertake spending that would improve their long-term performance, even at the expense of short-term profits.

Reagan raises stakes for summit

Continued from Page 1

trast with the Star Wars programme, on which the two countries are fundamentally opposed.

Mr Reagan's plan calls for tackling the five conflicts on three levels:

- Negotiations between the warring parties in each country including, in Afghanistan, the Soviet Union;
- Separate talks between the U.S. and the Soviet Union to support those negotiations, once under way, and possibly guarantee final agreements;
- If the first two steps succeed, generous U.S. help for reintegrating the countries concerned into the world economy.

In every case, the primary goal should be the verified withdrawal of foreign troops and military advisers and restraint in the influx of outside arms, Mr Reagan said.

A senior Administration official said Washington believed the proposals represented "a basis for co-operation" with Moscow and that it was in the Soviet Union's interest to end at least one or two of the conflicts. Mr Reagan had already communicated with Mr Gorbachev on the plan. The five countries had been chosen because active warfare was taking place in them.

Lawson backs Bank on JMB probe

By David Lascelles and Peter Riddell in London

MR NIGEL LAWSON, the British Chancellor of the Exchequer, yesterday gave his strongest public backing to the Bank of England over its handling of the investigation into the collapse a year ago of Johnson Matthey Bankers (JMB).

This follows allegations by a Labour Member of Parliament, Mr Brian Sedgemore, that the Bank had been involved in a coverup and had "kept the lid" on the fraud squad inquiry into the collapse of JMB.

Mr Lawson's comments, in a parliamentary written answer, were timed to coincide with the release of letters to Mr Sedgemore from Mr David Walker, now chairman of JMB and a director of the Bank of England, and from Sir Patrick Mayhew, the Solicitor General.

The Chancellor noted that both letters categorically rebutted Mr Sedgemore's allegations and said that, "if there are any matters for the police to pursue, I am confident that they will do so." Mr Lawson saw no need for an inquiry and hoped that, in the light of the replies received, Mr Sedgemore would withdraw his allegations.

In his letter to Mr Sedgemore, Mr Walker said that the Bank, Johnson Matthey Bankers and Hambros (which has been advising on JMB) collectively denied his allegations "of conspiring to utter forged documents, of forgery, conspiracy and of backdating documents."

Mr Sedgemore had claimed in a parliamentary motion that the Bank and JMB tried to defraud the liquidators of the El Saeed group, one of JMB's largest debtors, of $27m.

The money was in accounts held by El Saeed at JMB and was "set off" against the group's debts to the Bank on the instructions of Mr Mahmoud Sipra, the owner of El Saeed, and on the basis of security documents, according to Mr Walker.

"Although there were extended discussions with Mr Sipra, no suggestion or proposal was put forward at any stage by JMB or its advisers that any agreement should be predated," the letter stated.

Mr Walker also rejected Mr Sedgemore's contention that JMB "made a deal" with Mr Sipra over his Regent's Park home in London which he had pledged as security for his loans – which resulted in his being gifted with the equity in it. "JMB gave nothing to Mr Sipra," he says.

Mr Sedgemore last night argued that Mr Walker's letter failed to answer his points. He said that the Bank was "in desperate straits fighting for its very integrity. It is sad that the Chancellor should seek to back them. This squalid affair should bring the Chancellor and (Mr Robin) Leigh-Pemberton (the Bank Governor) down. They have put their authority and their future on the line."

Mr Sedgemore said he was still not satisfied and he would present evidence to the police, liquidator and the House of Commons.

Sir Patrick's letter said that the detective chief superintendent leading the investigation into JMB's affairs disagreed with the allegation that the Bank had restricted access to papers. He had no complaint to make of lack of co-operation from the present management of JMB.

"Up to now, it has not been necessary for the police to seek access to the whole of JMB's papers, but whatever they have needed to see has in each instance been made freely available. I understand Treasury officials have also been in touch with JMB whose chairman has reaffirmed JMB's full and willing co-operation with the police investigation."

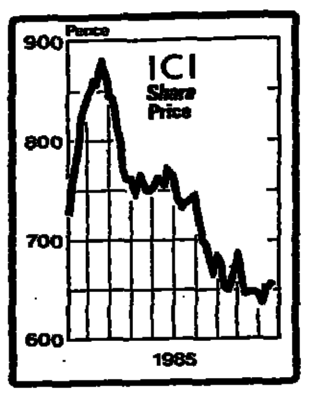
In relation to the alleged backdating of agreements, which would have had the effect of giving JMB authority over other creditors of companies owned by Mr Sipra, Sir Patrick said that a Mr Hussein who had made the allegations had been seen by the police who were looking into the matter.

Background, Page 11

THE LEX COLUMN

Not such fertile fields for ICI

When ICI announced disappointing interim results in July its share price tumbled 30p to 660p. It is perhaps a measure of the market's equanimity that yesterday's third-quarter results, worse even than downgraded estimates, sent the shares into a seesaw routine that ended with a 4p gain to 659p.



That the shares closed higher after opening down is probably due rather more to ICI's prospects than to its recent performance. Pre-tax profits for the third quarter, at £182m, were £66m less than the same period last year and £86m down on the previous quarter.

Sterling's relative strength cut profits by between £20m and £25m, and chemical sales experienced a heavy seasonal downturn, exacerbated by poor fertiliser sales during a damp and cheerless UK summer.

But what ICI lost in the third quarter it will – to some extent – gain in the fourth. The benefits of the summer's strong pound on raw material prices are now starting to come through; and the pound's recent fall against the D-Mark will undoubtedly boost profits. There are signs too that farmers are spreading more muck in these warm autumn days, which should help the fertiliser division to recoup some of its lost sales.

All this adds up to pre-tax profits of just over £900m for the year and, currencies permitting, about the same for 1986. Static profits may compare ill with the rest of the market, but ICI has underperformed the FT All-Share by 20 per cent in the last year.

The shares, on a prospective p/e of around 8 and a yield of 7 per cent, seem most of all to reflect shareholders fears of being let down again.

The short view

Having spent the past few years reconstructing the capital base of British industry, Mr David Walker of the Bank of England is as well qualified as anyone to discuss the relationship between capital markets and the corporate sector. In a speech delivered yesterday he made some telling – and balanced – observations about the consequences for industry of short-term investment horizons.

Mr Walker makes three suggestions. The first, that institutions should set aside a portion of their equity portfolio for long-term investment, is appealing but almost certainly impractical. The distinction between a short and long-term portfolio would be arbitrary and there is no doubt that long-term holding would rapidly become a trading investment in the event of a take-over or a sudden fall in the share price.

The second proposal, that companies should encourage strategic investment by publishing R & D figures and product innovation plans, is thoroughly sensible, although it has traditionally been opposed by companies on the grounds that such information is of value to competitors and gives an unduly precise impression of future plans.

The final idea, that new criteria should be applied in competition policy, is the most difficult. In what looks like an appeal for the reference of the Elders Allied bid to the Monopolies Commission, Mr Walker makes a thoughtful analysis of the shortcomings of an open competition policy. But nowhere does he say who should decide when an offeror's gearing becomes excessive or how a more subjective approach would sidestep the muddle of past competition policy.

B&C

The days when British & Commonwealth languished at an enormous discount to its presumed net worth appear to be ending – perhaps they were already drawing to an end – with the dramatic arrival of Mr John Gunn. Having run up by over 50 per cent this year, however, the shares were a touch vulnerable to the hard impact of accounting information; B&C's six-month figures yesterday showed a 53 per cent rise in attributable profits, to £20.7m, but the price still dropped 10p to 328p.

Disappointment was most likely focused upon the trading results of B&C's air transport activities, where competition cut deep into margins of both the helicopter and fixed-wing operations. Those who look at pre-tax numbers for B&C – even though the minority charge looms so large – may also have been concerned to see a much larger lump of profits on the sale of aircraft. But operational variations of this sort are really rather peripheral to a valuation of B&C, which is much more concerned with matters such as the fate of Exco, B&C's largest associate.

Underpinned as it is by the cash raised in its sale of Telerate, Exco's takeover-worthiness must be exercising half the merchant banks in London; as with its investment in OCL, which is protected by complicated option agreements, B&C can comfortably sit back and await events.

Seaq

Yesterday's announcement by the London Stock Exchange that it intends to open up a wider spectrum of price information to non-market makers through the Seaq quotations system looks a good move. There are plenty of institutions wanting to deal equities actively, and therefore having a clear need for access to the range of competing bid and offer prices (and the sizes in which market makers are prepared to deal). Publication of only the keenest price in the market – the previous proposal – clearly fell short of the mark. It is plain commercial sense to concede that if the Pru or the Postel fund wanted the extra information they would be able to get it from any number of willing brokers; best to let them have it directly, last trade tape and all.

Intending market makers who lobbied to keep competing prices in the inner ring have evidently resigned themselves to running their trading positions book in a less protected environment. But just as one set of commercial pressures has led the exchange to shed more light on the price-formation process, so another will probably force market makers to be as reticent as they can. A requirement to show the size in which a market maker is prepared to deal at his indicated prices may well result – as with other screen-based competitive markets – in defensively small sizes being quoted. It will not be giving much away to the opposition to learn that BZW is prepared to deal ICI shares in amounts of 1,000 either way.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	19	65	Dubrovnik	S	18	64	Malaga	—	—	—	Salzburg	S	11	52
Akrotiri	S	23	73	Faro	S	23	73	Malta	—	—	—	Seoul	S	18	64
Algiers	F	23	73	Florence	F	15	59	Manila	—	—	—	Singapore	F	30	86
Amsterdam	S	12	54	Frankfurt	S	12	54	Miami	F	25	77	Stockholm	C	4	39
Athens	C	16	61	Funchal	F	23	73	Milan	S	13	55	Strasbourg	S	12	54
Bahrain	S	28	82	Geneva	S	10	50	Moscow	C	3	37	Sydney	F	16	61
Bangkok	—	—	—	Gibraltar	F	23	73	Munich	S	9	48	Taipei	—	—	—
Barcelona	Fg	15	59	Guernsey	S	13	55	Nairobi	F	19	66	Tangier	S	24	75
Beirut	—	—	—	Helsinki	S	10	50	Naples	S	18	64	Tehran	—	—	—
Belgrade	S	11	52	H. Kong	F	27	81	New Delhi	S	29	84	Tel Aviv	F	24	75
Berlin	C	5	41	Innsbruck	S	9	48	New York	C	14	57	Tenerife	S	25	77
Biarritz	F	20	68	Inverness	S	12	54	Nice	F	19	66	Tokyo	S	22	72
Blackpool	S	10	50	Istanbul	C	12	54	Oporto	C	16	61	Toronto	R	14	57
Bordeaux	F	17	63	Jersey	S	12	54	Oslo	C	2	36	Tunis	—	—	—
Brussels	S	14	57	Jo'burg	T	25	77	Paris	S	12	54	Valencia	F	22	72
Budapest	S	12	54	Las Palmas	S	24	75	Prague	S	8	46	Venice	S	14	57
B. Aires	—	—	—	Lima	—	—	—	Reykjavik	F	5	41	Vienna	S	9	48
Cairo	S	25	77	Lisbon	S	20	68	Rio de J'o	—	—	—	Warsaw	C	8	46
Cape Town	S	22	72	Locarno	S	14	57	Rome	F	20	68	Zurich	S	8	46
Caracas	—	—	—	London	S	15	59								
Casablanca	F	23	73	Los Angeles	F	14	57								
Copenhagen	F	10	50	Luxembourg	S	12	54								
Corfu	F	20	68	Madrid	S	19	66								
Dublin	C	12	54	Majorca	F	22	72								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Tin trading halted

Continued from Page 1

keep trading suspended until the outcome of next week's ITC meeting is known.

It is an anxious time for traders, some of whom have large stocks of tin on the books and would incur losses running into tens of millions of pounds if trading resumed and the price collapsed. One said yesterday: "We are standing on the edge of a cliff."

It is the second time this year that trading has been suspended. In June the LME called a halt to trading after the price leapt to a record £10,325 a tonne, amid allegations that the market was being manipulated. The LME intervention allowed traders who were short of metal to square their books, though Mr de Koning, with large stocks, complained that the LME had been "unwise."

This time the solution appears to be out of the LME's hands. ITC members are aware that the cost of financing their stocks grows ever greater, especially as non-ITC members, including China and Brazil, are increasing production.

Malaysia, the largest producer, warned yesterday that more cash will only be a temporary solution to the problem. But attempts to shore up the price pact by persuading Brazil to join have so far failed.

Swiss review capital issues

Continued from Page 1

base, which comprises notes in circulation and balances with the National Bank, less end-of-month refinancing credits.

For 1985, the monetary base is expected to rise by rather less than 2.5 per cent compared with the announced target of 3 per cent.

Mr Ulrich Grete, senior vice-president of Union Bank Switzerland, the country's largest commercial bank, said yesterday that he doubted whether the consequences of allowing Swiss franc issues to be made abroad had been completely thought through.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday October 25 1985

Reynolds Metals posts $303m loss

By Our Financial Staff

REYNOLDS METALS, the second largest U.S. aluminium producer, has plunged to a $303.8m third-quarter loss after taking a $313.5m after-tax charge for a writedown of uneconomic assets.

The deficit, equivalent to $14.02 a share, compares with net profits of $39.3m, or $1.82, a year earlier. Excluding the charge, operating net income in the latest quarter was $9.7m, or 41 cents a share.

The company said the writedown, which was principally in the raw material and primary aluminium operations, reflected impaired asset values caused by the worldwide oversupply of primary aluminium and high energy costs.

Mr David Reynolds, chairman and chief executive, said: "This provision ... will improve the company's profitability in future years." The move was part of a strategy to redirect assets and resources into more profitable areas.

Shipments in the third quarter totalled 278,200 tons, up from 272,200 a year earlier, but down from 293,900 in the second quarter of 1985. Shipments so far this year are down from 876,300 tons to 823,300.

Sperry continuing operations up 20%

BY PAUL TAYLOR IN NEW YORK

SPERRY, the U.S. computer and capital goods manufacturer that earlier this month agreed to sell its New Holland farm equipment business to Ford Motor for $330m in cash, yesterday reported second-quarter net earnings from continuing operations of $42.7m, or 75 cents a share.

The results represent a 20 per cent gain over the same period a year earlier, excluding non-recurring items.

In the year-ago period Sperry reported net earnings from continuing operations of $97.3m, or $1.77 a share. This was after a $64m, or $1.16 as share, credit from reversal of deferred income tax liabilities partly offset by a $2.3m, or four cents a share, charge related to a writedown of its investment in the ill-fated triology venture.

As projected, Sperry took a $220m after-tax charge in the latest quarter on the sale of the New Holland unit which, with a $10.6m loss on discontinued operations, resulted in a final net loss of $187.9m in the quarter ending September 30. In the year-ago period, $2.2m in net earnings from discontinued operations made final net earnings of $99.5m, or $1.80 a share.

Sperry, which is New York-based, said revenues from continuing operations in the latest period increased by 23 per cent to $1.3bn.

Mr Gerald Probst, Sperry's chairman and chief executive, said "income was up 20 per cent before non-recurring items in last year's results. The commercial computer business continued to perform well despite the downturn in the industry.

"Overall, we expect fiscal 1986 pre-tax income from continuing operations will be well ahead of fiscal 1985."

Sperry, the fourth largest computer group in the world, reported net earnings from continuing operations of $96.8m, or $1.70 a share, in the fiscal first half, compared with net earnings of $119.6m, or $2.17 a share, in the year-ago period.

In the latest six months, a $13.2m loss from discontinued operations and a $220m loss on the disposal of New Holland resulted in a final net loss of $136.4m.

Uninspiring results in consumer industries

By Terry Byland in New York

PRESSURES in the U.S. consumer industries were underlined yesterday when two large companies reported uninspiring sales performances for the September quarter.

Earnings were flat at Dart & Kraft, the Tupperware, processed foods and electric battery group, while higher profits at Quaker Oats were offset by a dip in turnover.

Dart & Kraft, reporting for its third quarter, turned in net earnings of $111.8m, or 77 cents a share, compared with $113m in the corresponding 1984 period. Sales edged up from $2.4bn to just under $2.5bn.

The group's retail and service food units achieved good results. Tupperware sales in the U.S. were up sharply but worldwide profit declined due to poor results in Latin America.

Dart's Duracell offshoot showed lower profits as a result of high development and promotion costs.

At Quaker Oats, a long-time takeover favourite on Wall Street, first-quarter earnings increased by 8 per cent from $25.7m, or 61 cents a share, to $27.7m, or 68 cents a share. Sales, however, slipped from a corresponding $866m to $845.6m.

The group attributed the higher earnings to operating income gains in Quaker's two largest business areas – U.S. and Canadian grocery products and international grocery products – and to lower financing costs.

U.S. ACQUISITIONS AIMED AT MAINTAINING FRENCH AGRICULTURAL STRENGTH

Lafarge seeks growth in seeds

BY DAVID MARSH IN PARIS

LAFARGE COPPÉE, the French cement group, appears an unlikely company to be playing a leading role in France's bid to stave off fierce U.S. competition in the seeds business.

But the company, which is building up its biotechnology activities as part of a long-considered diversification move, is emerging as a key player in the specialised field of developing and producing improved seeds for agriculture.

Lafarge has made a string of international acquisitions during the last 18 months, mostly in the U.S., to try to gain access to research and development expertise in this fast-moving field.

The latest move was announced this week with the purchase of a Phoenix-based grain breeding company, Western Plant Breeders. The acquisition, like most of Lafarge's moves in the seed business, was made through the agricultural biotechnology group Orsan, which is quoted on the Paris Bourse. Lafarge owns a 66 per cent stake in the holding company that controls Orsan, with 34 per cent held by Crédit Agricole, the farmers' co-operative bank

This follows other purchases in the U.S., including the vegetable and flower seeds subsidiaries of the Celanese chemical group and, last year, the Illinois maize seed company Wilson Hybrids. Orsan now has a controlling 39 per cent stake in Claeys-Luck, the French company which is Europe's leader in developing small grains like wheat and barley.

Claeys-Luck recently acquired a 70 per cent stake in Agrar, the main Spanish seeds company.

These moves come at a time of reckoning for the French seeds industry. France, because of its agricultural importance, is the world's number two seed market. But the country is in danger of being swamped by seeds developed by U.S. multinationals.

M Guy Paillotin, scientific director at the National Agronomical Research Institute (INRA), which has played a leading role in developing agricultural seeds species in France, warns that European companies may not have much time left to gain access to U.S. expertise in seeds.

"In three or four years' time the market may no longer be open. It may no longer be possible simply to go and sign research contracts with U.S. companies," he said.

In a recently published book, La Guerre des Semences, which has caused a stir in the French farming community, M Jacques Grall, a journalist on Le Monde, and M Bertrand Roger Levy, an INRA official, warn that fragmentation in the French seeds industry and lack of government funding for new research "threaten French independence."

Lafarge is not the only French company to have noticed the gap which is opening. Rhône-Poulenc, the nationalised chemical group, has recently announced co-operation agreements with the French sugar beet seed company Ceres and with the Union Nationale des Co-operatives Agricoles de Céréales (UNCAC) group over maize seed selection. This follows Rhône-Poulenc's link-up last year over sunflower seeds with the U.S. company Seed Tec.

Lafarge and Orsan realise that, in entering the seeds business, they are coming into confrontation with a cluster of well-financed international groups from the chemicals industry and traditional agricultural sectors. Pioneer, the U.S. company, is easily the world leader in the maize area, while in wheat the field is led by Rohm and Haas, also of the U.S.

According to M Patrice Le Hodey, Lafarge's director for biotechnology activities, the company is making a priority of developing hybrid wheat varieties. Hybrid wheat at present (unlike maize hybrids) has only a small part of the overall market. The competition is toughened by the presence of companies like Monsanto and Nickerson (part of the Shell Group). Margins are lower than in maize.

M Le Hodey, however, said the prospect of combining chemical methods with traditional selection techniques – which is where the expertise of Western Plant Breeder should prove crucial – greatly improves the outlook. He forecasts that, as a result of higher volumes and prices, improved-yield wheat hybrids could boost the overall wheat seed market by between four and eight times during the next few years.

M Le Hodey is also banking on the vegetable seed activities acquired from Celanese to help Orsan strengthen its position in developing tailor-made seeds for the food industry, for example, to produce specially flavoured tomatoes for ketchup or carrots for fast food.

Denison Mines sees profits decline

Financial Times Reporter

DENISON Mines, operator of the troubled Quintette coal mine in north-east British Columbia, suffered a decline in net earnings to C$50.8m (US$37m), or 75 cents a share, in the nine months to September 30, from C$60.5m, or C$1.21, a year earlier.

The fall is due to Denison's half-share of the C$25m loss posted by Quintette in the six months since April 1, when the mine was included in the company's accounts for the first time.

Denison's earnings before its share of equity investments rose from C$58.5m to C$60.7m. The increase was due largely to higher cement scales and gains from the sale of investments, partly offset by lower oil and gas prices and reduced output from Spanish oil interests.

Quintette, whose other shareholders include Japanese steel and trading companies and Charbonnanges de France, remains burdened by heavy debts. Interest charges totalled C$47.1m in the first nine months of the year.

Société Générale taps Euro-equity market

BY PAUL CHEESERIGHT IN BRUSSELS

SOCIÉTÉ Générale, the industrial and financial holding company, will be the first Belgian concern to tap the developing Euro-equity market with a new share issue to raise some BFr 6bn ($112.25m).

The issue is part of a wider plan to attract a group of stable international shareholders and to raise the profile of Belgium's biggest holding company on the international markets.

Up to 3m shares will be issued. The price has not yet been set, but it will be at a discount of about BFr 100m to present market levels of around BFr 2,200, to take into account the fact that the shares will only participate in dividends from January 1 1986.

Credit Suisse First Boston (CSFB) and Swiss Bank Corporation will be lead managers and placement will be handled by a syndicate led by CSFB. The largest part of the placement will take place in Switzerland.

In another capital-raising move, Société Générale is considering a rights issue on the Belgian market, probably at the start of next year, depending both on market movements and the success of the international issue.

Textron drops disposal plan

By Our New York Staff

TEXTRON, the U.S. industrial conglomerate, said yesterday that it has given up trying to sell Avco Aerostructures, part of the Avco aerospace group which it acquired for $1.38bn in January.

Textron's third-quarter net earnings, including a $16.4m gain on a securities swap, increased to $70.8m, or $1.94 a share, from $25.3m, or 70 cents a share a year earlier, on revenues which grew to $1.6bn from $760m.

Avco Aerostructures, a defence contractor which builds the wings for the Pentagon's B-1 bomber and C-5A transport aircraft, and is the largest single part of Avco's aerospace technologies group, had been up for sale since before the Textron takeover.

Bell Canada expects advance for year

BY ROBERT GIBBENS IN MONTREAL

BELL CANADA Enterprises, the holding company for the Bell Canada telecommunications utility and 80 non-regulated businesses, had a disappointing third quarter but expects earnings for all 1985 to be up modestly from 1984.

BCE controls Northern Telecom, Canada's largest telecommunications equipment manufacturer, Transcanada Pipelines, Daon Development and has interests in printing.

Third-quarter net profit was C$250.8m (U.S.$184m) or C$1 against C$248.3m or C$1.06, on revenues of C$3.29bn against C$2.61bn. Average shares outstanding totalled 239m against 222m.

Nine months' net was C$780.7m or C$3.16 a share against C$678.5m or $2.93, on revenues of C$9.6bn against C$7.53bn.

Third-quarter results were lower than expected. Bell Canada's profit declined slightly for the third quarter, although nine-month earnings were up sharply. It contributed 67 cents a share to BCE's earnings in the third quarter. Northern Telecom contributed 18 cents, TCPL 9 cents, while international consulting services, mainly from Saudi contracts, contributed 8 cents.

● Dominion Textile, Canada's largest primary textile and fabric group, posted a loss of C$6.9m in the first quarter to September 30, against a loss of C$2.2m a year earlier.

Japanese bond buying slows

BY CARLA RAPOPORT IN TOKYO

JAPAN'S purchases of foreign bonds, a major component of Japan's huge capital outflows, slowed markedly in September, largely because of government warnings on potential exchange rate risks in buying U.S. Treasury bonds.

According to the Ministry of Finance yesterday, net purchases of foreign bonds in September were between $2.5bn and $3bn, compared with $4.5bn in August and a record $8.4bn in July. The Ministry said the fall was because of a decline in purchases from Japanese corporations, although net selling by securities houses also depressed the September total.

Overloading fear in NZ dollar market

BY MAGGIE URRY IN LONDON

TWO ISSUES in the small New Zealand dollar Eurobond market yesterday, added to other recent deals, have raised traders' fears that the sector is becoming overloaded with paper. The market is heavily dominated by retail investors who are highly selective in their buying.

A NZ$25m issue for Kredietbank Luxembourg should appeal to European retail investors. It was trading yesterday comfortably within the 1½ per cent fees. The coupon is 17¾ per cent and maturity is three years. The issue price is open.

A NZ$50m deal for Nordic Investment Bank, which is tied to a swap into floating rate dollars, may move more slowly despite an 18 per cent coupon. Issue price is 100¼ and the bonds mature in 1988, but with a sinking fund reducing the average life to two years.

Lead manager is Morgan Stanley. The bonds were selling only just within the 1½ per cent fees.

The Eurodollar market was taking a breather yesterday after the recent activity, with prices slightly weaker. Only one issue was launched, a $75m, seven-year deal for WMC Finance, guaranteed by Western Mining, the Australian gold and nickel group. S. G. Warburg led the deal, which has a 10¼ per cent coupon and par issue price.

The deal gives investors a large spread over U.S. Treasury yields but traders said the name was not well enough known in the market. The lead manager was quoting the bonds within the 1⅞ per cent fees.

The $100m issue with equity warrants for Union Bank of Switzerland was priced at 101 yesterday and continued to trade strongly at around 109. The parallel SwFr 150m domestic issue was priced at 3 per cent with a 10-year life.

The possible liberalisation of the Swiss franc foreign bond market was the talking point among traders there. The secondary market was little changed yesterday.

Citicorp Bank (Switzerland) launched a SwFr 100m 15-year issue for the European Community. The average life is 13½ years. The terms were fixed at a 5½ per cent coupon and par issue price.

The European currency unit (Ecu) market has recovered some of its poise as coupons on new issues have crept up. A 9¼ per cent coupon was set by Banque Nationale de Paris for an Ecu 70m seven-year deal for Machines Bull, the French computer group. Issue price is par. The bonds traded well, although they slipped back just before the close to be bid at 98¾, just inside the 1⅞ per cent fees.

The D-Mark Eurobond market was relieved to see no issues launched yesterday. Prices fell again, with some dropping by as much as ¾ point.

INTERNATIONAL COMPANIES and FINANCE

Pantry Pride wins court injunction

By Paul Taylor in New York

PANTRY PRIDE, the Florida-based supermarkets group, has won a key court case in its bitterly fought $1.83bn takeover battle for Revlon, the U.S. cosmetics group.

A Delaware state court judge issued a preliminary injunction blocking the "lock-up" option Revlon has granted to Forstmann Little, the New York investment partnership which is organising a rival leveraged buyout attempt.

The decision, if it stands, could have widespread repercussions for other contested takeovers, including Hanson Trust's long-running battle for SCM, the New York-based conglomerate.

The option, designed to thwart an alternative takeover, gives Forstmann Little the right to acquire Revlon's prized Vision Care and National Health Laboratories units for $525m if a suitor acquires 40 per cent of the company.

Pantry Pride's latest bid of $58 a share for Revlon – which tops an earlier $57.25 offer by Forstmann Little – is conditional upon it winning an injunction against Revlon's lock-up option.

Judge Joseph Walsh, issuing the preliminary injunction, said Revlon's directors had failed in their fiduciary duty to shareholders "by agreeing to a lock-up and no-shop clause in exchange for protecting the rights" of Revlon shareholders.

Revlon said it would have no comment until it had had time to study the judge's opinion.

Hanson Trust is contesting a similar lock-up provision which SCM has granted to Merrill Lynch as part of a proposed management buyout. Under the option, Merrill could buy SCM's pigments and food businesses for $430m.

Mr Robert Pirie, president of Rothschild Inc, which is advising Hanson Trust, said the Delaware court decision was "fantastic news." He added that he believed Hanson's legal objections to the SCM lock-up option were even stronger than in the Revlon case, because SCM's management planned to take an equity stake in the Merrill Lynch-led deal.

Mixed fortunes for New York brokers

BY TERRY BYLAND IN NEW YORK

A MIXED pattern of third-quarter results from Wall Street securities firms was disclosed when Phibro-Salomon, the major capital markets and commodity trading house, announced a 7 per cent gain in profits, but E. F. Hutton reported a sharp and unexpected drop in earnings.

Mr John Gutfreund, chairman of Phibro-Salomon, said the third-quarter results "maintained the momentum" of recent periods. Net earnings rose from $119m, or 83 cents a share, to $139m or 94 cents, although revenues shaded by 6 per cent from $7.45bn to $6.98bn.

Nine-month earnings are 24 per cent up at $425m, or $2.89 a share, from $342m, or $2.39m, with revenues down from $21bn to $19.3bn.

In fiscal 1984, Phibro-Salomon earned $436m, or $2.86 a share, on revenues of $28.9bn. The firm makes no forecasts, commenting that the outlook depends on a number of critical factors.

The latest results reflected strength across the full range of the firm's operations, Mr Gutfreund said. Mortgage and real estate business remained strong, despite nervousness in the market over the failure of Equity Programs Investment Corporation.

At Hutton, second largest U.S. retail broker, an 11 per cent gain in revenues from $675m to $751m in the quarter was offset by "a continuing increase in compensation and other expenses related to the growth of the company." Net earnings fell from $23.1m, or 90 cents a share, to $6.7m, or 25 cents. Last year's net was boosted by a $14m tax credit, while the current quarter takes in $800,000 from the sale of Hutton Credit Corporation.

In fiscal 1984, Hutton earned $52.7m or $2.05 a share, on revenues of $2.8bn.

Despite the third-quarter setback, Hutton's nine-month net shows a 96 per cent gain from $28.4m to $55.8m, or $2.09 a share, on revenues of $2.3bn against $1.8bn.

North American quarterly results

AMERADA HESS
Oil

Third quarter	1985 $	1984 $
Revenue	1.8bn	1.95bn
Net profits	38.4m	40.8m
Net per share	0.43	0.48
Nine months		
Revenue	5.74bn	6.39bn
Net profits	105.4m	174.4m
Net per share	1.25	2.06

AMDAHL
Plug-compatible computers

Third quarter	1985 $	1984 $
Revenue	221.1m	180.8m
Net profits	5.7m	11.2m
Net per share	0.12	0.25
Nine months		
Revenue	604.8m	552m
Net profits	15m	20.3m
Net per share	0.32	0.44

ANHEUSER-BUSCH
Brewing

Third quarter	1985 $	1984 $
Revenue	2.01bn	1.95bn
Net profits	143.6m	128.5m
Net per share	0.92	0.81
Nine months		
Revenue	5.83bn	5.43bn
Net profits	384.5m	319.6m
Net per share	2.38	2.01

APOLLO COMPUTER
Computers

Third quarter	1985 $	1984 $
Revenue	55.2m	57.4m
Net profits	†18.5m	6.3m
Net per share	†0.54	0.20
Nine months		
Revenue	224.9m	149.1m
Net profits	†2.2m	15.6m
Net per share	†0.07	0.50

†Loss

Continued on Page 41

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for October 24.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	102	102½	0	+0⅜	10.20

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aust Gas & Light 13 92 SA	50	98⅞	99⅞	0	+0¾	13.12

YEN STRAIGHTS	Issued	Bid	Offer	Change on day
Finland Republic 6¾ 90	15	99¾	100	−0⅝
Gdyr Tr & Rubber 7⅛ 95	25	99¾	100¼	−0¼
Mort Bk Denmark 7 92	10	100⅛	100⅝	−0½
New Brunswick 7⅛ 95	10	101⅜	101⅞	−0½
Swed Exp Cred Zero 90	14	72⅛	72⅝	−0¼

Average price change On day −0⅜ on week −0¼

An Offshore Money Market Cheque Account from Bank of Scotland

Allied-Signal to buy Oak subsidiary

By Louise Kehoe in San Francisco

OAK INDUSTRIES, the financially troubled California electronic goods manufacturer, has agreed in principle to sell its materials operations to Allied-Signal, the company formed by the merger of Allied and Signal corporations last month.

The sale will enable Oak to pay off $230m in publicly held debt and restructure operations around its components business. The agreement will give Allied-Signal a 25 per cent or larger shareholding in Oak Industries.

Under the terms of the recapitalisation plan, Oak Industries will sell its materials operations, which manufacture products used to make printed circuit boards, to Allied-Signal for $160m in cash. Allied-Signal will pay $15m for 10m newly issued Oak shares plus warrants to buy 4.2m more shares for $1.80 a share.

"The sale of the materials group and Allied Signal's investment in Oak are the first steps in a strategy to give us the financial and managerial resources necessary to position Oak for profitable growth," said Mr E. L. McNeely, Oak's chairman and chief executive.

DAIWA EUROPE LIMITED
JAPANESE EQUITY WARRANTS SERVICE

Daiwa Europe Limited, 14 St Paul's Churchyard, London EC4M 8BD

INTL. COMPANIES & FINANCE

Nedbank cuts payout after setback

BY JIM JONES IN JOHANNESBURG

NEDBANK, one of South Africa's five largest banking groups, suffered a major profit reversal in the year to September and has cut its dividend in order to conserve cash.

The group's disclosed, after-tax profit dropped to R91.3m ($35.6m) from the previous year's R105.1m, earnings per share fell to 101.3 cents from 116.9 cents, and the dividend has been cut to 60 cents from 68 cents.

The bank does not fully disclose operating results, preferring to take advantage of provisions in South Africa's Banks Act which permit it to declare only taxed profits after transfers to and from hidden reserves. This has led some Johannesburg analysts to conclude that Nedbank's real profit decline was sharper than that indicated by the disclosed figures.

Nedbank has been particularly active in foreign financial markets and led other South African banks in raising considerable amounts of short-term debt for lending long-term to South African private and para-state borrowers. This became a particular problem as U.S. banks called in their South African loans, but was eased in August when the country declared a *moratorium* on its external debt repayments.

Banking authorities in New York issued Nedbank with a "cease and desist" order, effectively closing the bank's New York operations, and in London branch *operations* have had to be considerably scaled down.

The South African Reserve Bank, the country's central bank, has said, however, that it will assist Nedbank in overcoming liquidity problems arising from its foreign exposure.

Reduction of foreign operations could be a serious blow to the bank, Johannesburg banking analysts believe, as in recent *years foreign operations* are estimated to have generated as much as a third of the group's commercial banking profits. But as one analyst pointed out, Nedbank has little option as it "committed the classic banking error of borrowing short and *lending long.*"

The directors say that high interest rates, which pared banking margins, affected banking profits during the first half of the financial year. The effect of the rates is particularly marked in Nedbank's case as the group relies on wholesale money markets for a proportionately greater part of its capital than its four main competitors.

Nedbank's board says that the *current financial volatility* makes forecasting difficult, but it expects this year's profits to approximate those of the previous year

Toshiba in Visa card venture

BY ALAN CANE

VISA INTERNATIONAL and *Mastercard, the two major US-*based international credit card groups, are involved in projects geared towards the next generation of electronic banking systems using "smart" cards—plastic cards with an entire miniature computer built in.

It was announced yesterday that Visa was working jointly with Toshiba of Japan to develop a smart card, no bigger than a conventional credit card, with a flat keyboard and display on the back and powered by a tiny internal battery.

The smart card was invented and developed in France, where it is manufactured by Bull Groupe and by Schlumberger *as well as Philips of the Nether*lands.

Earlier this year Mastercard announced that it had ordered 50,000 cards from Bull to be tested alongside cards manufactured by Casio of Japan. No decision about the results of the trial is expected until the end of the year, Mastercard said in New York yesterday.

Smart or memory cards are beginning to appeal to banks and credit card companies because they are difficult if not impossible to forge and do not depend on telecommunications lines to allow financial transactions to take place.

Users of the card would have to enter their personal identification codes in a special terminal to initiate and complete a transaction. The card would verify the user's identity, deduct the amount of the transaction from the appropriate account and record it in its memory for later accounting.

Toshiba said its card will also have a magnetic stripe making it compatible with conventional credit cards.

Visa is already experimenting with the smart cards developed by Bull and by Casio. The new card should be developed by mid-1987.

Hitachi shows decline at six months

By Carla Rapoport in Tokyo

THE CALAMITOUS drop in semiconductor prices worldwide has pushed Hitachi, Japan's largest electronics company, into its first half-year profit decline for nearly a decade.

Hitachi yesterday reported pre-tax profits down 16.9 per cent for the parent company in the six months to September to Y100.8bn ($467.2m). Sales were up 3 per cent to Y1,559bn.

The company refused to disclose the profits and sales of its semiconductor business. It did say, however, that last year semiconductors had been its biggest money earner. This year, Hitachi said, semiconductor profits had been "marginal." Prices of chips had fallen by 40 per cent on average in the six months.

The division covering semiconductors, systems and electronic devices saw sales down 4 per cent in the half-year. The division accounts for 35 per cent of Hitachi's total sales. Total exports were also down by 4 per cent.

Another contributor to the profit decline was the drop in sales and profits of video cassette recorders.

Net income was Y49.7bn, down from Y50.1bn, with earnings per share at Y17.73, down 1 per cent from Y17.88 last year.

The company forecasts full-year sales of Y3,000bn, a decline of 1 per cent from last year, and pre-tax profits 25 per cent down at Y193bn. This would be Hitachi's first full year decline in 11 years.

Cerebos Pacific raises earnings and turnover

BY CHRIS SHERWELL IN SINGAPORE

AN IMPROVED performance in Australia and New Zealand has helped Cerebos Pacific, the Singapore-based Asian arm of Ranks Hovis McDougall (RHM) of Britain, to produce higher profits and turnover for the year to July.

After-tax profits increased 18 per cent to S$18.85m (U.S. $8.83m) on a turnover which rose 35 per cent to S$205.7m. Property sales in Malaysia and New Zealand pushed attributable profits up 27 per cent to S$17.97m.

The strong performance in Australia came despite an unfavourable business climate and a weakening currency, while a merger with Greggs in New Zealand "contributed significantly" to the results, the company said.

Australia and New Zealand now contribute 70 per cent of Cerebos Pacific's sales and profit, up from 66 per cent last year. Whereas sales in the rest of the region were up 13 per cent, in Australia and New Zealand they rose 47 per cent.

The company, 70 per cent owned by RHM, reported improvements in Thailand and Taiwan, but it admitted profits actually fell in Singapore and Malaysia because of higher promotion costs to maintain sales volumes. In both countries, it said, the recession had made trading difficult.

New York office for TSE

BY YOKO SHIBATA IN TOKYO

THE TOKYO Stock Exchange (TSE) is to establish a representative office in New York early next year, its first such presence abroad.

The decision was in line with the accord reached this week between Mr Michio Takeuchi, the TSE president, and Mr John *Phelan, chairman of the New* York Stock Exchange, to promote 24-hour stock trading. Mr Yoshio Iwata, TSE senior managing director, and Mr Donald Calvin, a NYSE vice-president, are to coordinate liaison.

The TSE plans later to set up a similar representative office in London.

Meetings have also been held this month with the Chicago Board of Trade and the London International Financial Futures Exchange to explore a wider *world role for the TSE. It* believes that issues such as trading of yen bond futures abroad will have to be tackled in the near future.

Atlas trading suspended

TRADING IN Atlas Industries, the ailing Hong Kong electronics group, was suspended on local stock markets yesterday pending an announcement from the company, writes **David Dodwell in Hong Kong.**

The group has been in difficulties since it lost a number of orders from U.S. clients. Major investments had been made in Malaysia in expectation of these orders. The whereabouts of Mr Alan Miller, the chairman, have not been known to executives for several months.

UK COMPANY NEWS

ICI hit by weak summer demand

BY TONY JACKSON

WEAK DEMAND in chemicals over the summer have pulled Imperial Chemical Industries' third-quarter profits down to £182m before tax, a fall of 27 per cent from last year's comparable £248m. However, the group is now less concerned over the level of sterling than it was at the time of its mid-year figures.

Mr Trevor Harrison, the group treasurer, said that currency was "not a massive factor" in the third quarter. Of a fall in profits of around £20m attributable to currency the bulk came from translation of dollar earnings, with the remainder due to the impact of the stronger pound on exports.

However, he emphasised that ICI was not happy with the current sterling/D-Mark relationship. "Cumulatively, we have had inflation differentials against our German competitors which make this level uncomfortable."

Group profits for the nine months were down 8 per cent from £780m to £717m. Chemical profits, however, were down by only 4 per cent at £671m, while oil profits were £37m lower at £46m.

Chemical sales in the quarter, at £2.35bn, were down by £308m on the second quarter, with normal seasonal downturn responsible for 5 per cent of the fall and sterling's strength accounting for the remaining 7 per cent.

Divisionally, the strongest performance came from pharmaceuticals, which enjoyed sales much above their underlying level in September.

Fertilisers had another poor quarter. Mr Harrison said: "Farmers don't have to buy as early as August and September, and this year they certainly didn't. But they are starting to order now, so we should make it up later on."

Agrochemicals, which had an exceptionally strong second quarter, were weaker in the third. Some of this was due to seasonal factors, but was also partly attributed to abnormally high sales in the previous quarter.

Margins were squeezed in commodity chemicals in Europe.

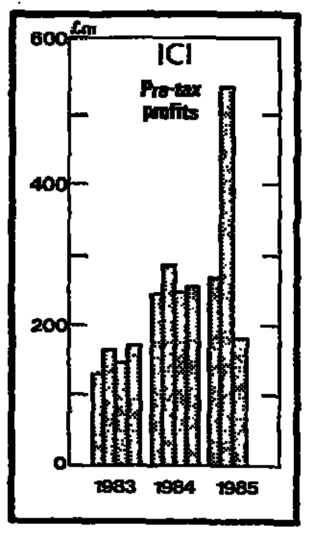
The quarter included an extraordinary debit of £26m relating to the restructuring of the colours and fine chemical businesses.

Over the nine months of 1985 to date, chemical sales are ahead by 15 per cent at £7.46bn, with higher volume accounting for 5 per cent of the rise.

Oil sales fell £26m to £185m by comparison with the second quarter, and profits fell from £15m to £9m.

Oil sales over the nine months are £653m, down 17 per cent on the same period in 1984.

See Lex



Over 30 eye Thorn screen entertainment

BY GUY DE JONQUIERES

Thorn EMI, the troubled consumer electronics and entertainment company, has received approaches from more than 30 possible bidders for its screen entertainment division.

The company also plans soon to seek partners to invest in Inmos, the loss-making microchip subsidiary which it acquired last year. It has already received two inquiries and expects to start talks with interested groups in the next few months.

Sir Graham Wilkins, chairman of Thorn EMI, said in an interview that screen entertainment was the business which "fits least well" with the company's plans. He declined to name the companies which had expressed interest in the division and in Inmos, though they are understood to include U.S. groups.

Morgan Grenfell, Thorn EMI's merchant bankers, are circulating a dossier of information about the screen entertainment division to prospective bidders. This is intended partly to help fix a market price for the business, which is proving hard to value.

The management of Thorn EMI screen entertainment are interested in buying the division, which made profits of £11.9m on £132m turnover in the year to March. Mr Gary Dartnall, its chairman, is seeking to raise finance in the U.S.

Sir Graham, who took over after Mr Peter Laister was ousted at Thorn EMI's chairman and chief executive last summer, said losses at Inmos were still running at about $2m a month. He hoped recent cost-cutting would restore it to break-even by next March.

He said the recently-launched transputer — an advanced computer on a chip—was vital to Inmos's future, and that it was doubtful if Inmos could survive if the product was not a commercial success.

He also said that Thorn EMI was reviewing the product mix of its domestic appliance businesses. Its food preparation and kitchen equipment activities are profitable, and it is investing £7.5m in an automated plant to make microwave ovens in Spennymoor, Durham. But the market for washing machines and refrigerators is depressed by excess capacity throughout the European industry.

He added that the company is "de-emphasising" its cable television operations. It does not plan to pull out of the business but expects to limit its involvement to its two existing systems in Coventry and Swindon.

Thorn EMI plans to keep its music division, which has fared poorly in the U.S., and its lighting business, which it previously considered selling.

Metal Sciences refinancing agreement

BY RICHARD TOMKINS

Metal Sciences, a loss-making manufacturer of shotblasting grit, has reached a £158,000 refinancing agreement with a private company called John Delaney Group.

Metal Sciences was formed in 1983 as an unlisted securities market start-up venture with the aim of developing a process for making industrial abrasives. Production began in May last year but the company has yet to show a profit.

Yesterday's announcement coincided with the release of Metal Sciences' results for the half-year to August 31, showing that pre-tax losses fell to £259,000 (£269,000) on turnover up to £135,000 (£11,000). The directors said the company would not be in a position to pay a dividend in the foreseeable future.

The shares were unchanged at 6½p at yesterday's close.

The refinancing agreement provides for Delaney to underwrite a one-for-five rights issue of 4.34m new ordinary shares at 2½p a share and subscribe in cash for 8m new ordinary shares at 2½p a share.

Metal Sciences' executive directors, Mr Peter Hay, Mr John Hay and Mr Ian Williamson, will renounce their rights in respect of 1.412m new ordinary shares in favour of Delaney.

The result will be to put between 28 per cent and 36.6 per cent of the enlarged share capital in the hands of Delaney, depending on how many shareholders take up their rights. The Takeover Panel has agreed to waive any requirement for Delaney to make a bid as a result, subject to shareholders' approval in a poll.

Mr Peter Hay, Metal Sciences' managing director, said the company had run out of cash because the production process had taken much longer to develop than had been expected.

About £100,000 of the money raised through the refinancing would be invested in production facilities to enlarge them and make them more efficient. The rest would be used as working capital.

Mr Hay said he was confident that the cash injection would see the company through its financial difficulties.

"Our product has been well received in the market place and we have good orders. We have sorted out the technical problems and we are now ready to move into higher gear and start making profits."

Anchor Chemical's margins under pressure

Anchor Chemical Group yesterday reported sharply lower interim taxable profits of £290,000, against £762,000, blaming the aftermath of a fire at the Clayton plant and a drop in demand.

Following the fire production costs increased and there was a loss of manufacturing income which continued throughout the first six months of 1985.

In addition, the directors say that the strong upward trend in sales experienced in the 12 months preceding the fire was halted and sales in the early months of this year "were at a disappointing level."

While there was a marked improvement in the second quarter, there has been an easing of demand in the third quarter. An insurance claim for loss of profits will not be finalised until rebuilding and replacement has been completed.

UK results were also adversely affected by pressure on margins, high interest rates, and higher-than-normal borrowings in the first three months prior to receipt of the proceeds of the insurance claim in respect of stock, plant and building.

Tax was proportionately high at £217,000 (£345,000), reflecting domestic UK losses.

Overseas, Anchor Italiana and Anchor South Africa performed satisfactorily. However, in the U.S., Pacific Anchor Chemical Corporation had a poor first quarter resulting from an easing of demand and pressure on margins.

Group turnover for the first half amounted to £9.31m compared with £8.97m. Earnings per share dived from 14.5p to 2.5p but the interim dividend is unchanged at 1.25p.

The board expects the second half of the year to show an increase over the first half but the level of profits for the full year will be influenced by the outcome of the insurance claim.

Anchor's shares shed 30p yesterday to close at 175p.

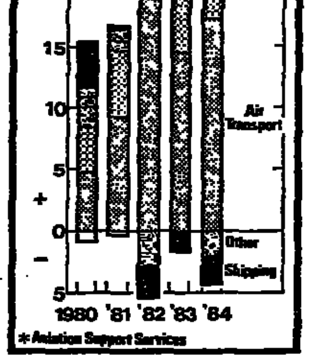
Associates boost B & C to £44m

A NEAR £10m jump in associates' contributions, together with an increase of almost £7m in profits from aircraft sales enabled the British & Commonwealth Shipping Company to raise pre-tax earnings from £30.24m to £44.16m for the first half of 1985.

On the outlook, Lord Cayzer, the chairman, says that although the important contribution from associated companies cannot be quantified at present, current indications are that the outcome for the year as a whole will show an improvement over 1984 when pre-tax profits totalled £66.22m.

Turnover for the six months rose by £20.6m to £193.5m, while operating profits showed an improvement from £14.62m to £18.07m. However, as a result of increased competition in both areas of the air transport activity, the contribution from this important sector fell from £9.31m to £5.09m.

Aviation support services made £2.31m (£2.66m), while



shipping losses increased from £0.95m to £1.09m. Elsewhere, hotels profits were higher at £834,000 (£526,000) and office equipment turned in £1.97m (£1.85m). Other activities recovered from losses of £323,000 to £556,000 profits.

Overall, operating results were boosted by the sharp profits increase to £8.4m (£1.55m) from aircraft sales. Pre-tax profits reflected the sharply higher share of associates' results of £25.43m (£15.7m). Investment income improved from £6.3m to £7.99m, while interest payable took £7.33m (£6.38m).

After tax of £17.17m (£12.48m) and minorities of £6.33m (£4.29m) attributable profits came out ahead from £13.47m to £20.67m. Stated earnings per 10p share were up 4p at 11.6p and the net interim dividend is raised from 1.8p to 2.2p, costing £4.51m (£3.21m)—last year's final was 2.2p.

SI Group board changes after £1.53m downturn

SI Group, maker of drink dispensing and cooling equipment yesterday saw its share price drop by a tthird as it announced a loss for the 12 months to June of £29,000 (profit £1.5m) and declared major board changes.

Mr F. W. Forbes is to relinquish his executive role and become non-executive chairman, while Mr J. H. Robinson, joint managing director, with responsibility for Southern Industries, has resigned. Mr J. G. Hurst is to become group chief executive.

The board is not recommending a dividend.

According to Mr Forbes, the main reason for the loss was problems at Southern Industries. First-half profits had to be re-evaluated following the discovery of "deficiencies in the costing system" which had led ton an overstatement of earlier results. Substantial provisions have been made, and a new costing system introduced.

Mr D. W. Walker, company secretary, yesterday declined to comment on the extent of the provisions, but admitted that "the management had problems in coping." In addition to the resignation of Mr Robinson, further, unspecified, changes in management at Southern Industries have also been made.

Southern's problems were exacerbated b ytechnical difficulties arising from a change in produce range from brass to stainless steel, the chairman says in a statement accompanying the results. At the same time more aggressive purchasing from the company's customers resulted in a squeezing of margins.

While Southern continued to trade at a loss since the end of June, the work force was reduced and the product range changed to include cheaper plastic taps in an effort to restore the company to profitability.

SI Cooler's also experienced lower margins on higher turnover, while engineering companies performed better.

Group turnover was £12m (£11.1m) and the trading profit was £350,000 (£1.754m). The pre-tax loss was struck after charging interest of £379,000 (£266,000). After tax of £16,000 (£575,000), the loss was £45,000 (profit £913,000), creating a loss per share of 0.25p (earnings 5p).

The shares closed yesterday down 10p at 20p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Anchor Chemical ...int.	1.25	Nov. 29	1.25	—	4.25
B & C Shipping ......int.	2.2	Jan. 7	1.8	—	4
Chesterfield Props.	4.5	Dec. 27	4	—	10.5
Chrysalis	3.95¶	Nov. 29	—	3.95	—
Philip Hill Inv. ......int.	3	Dec. 13	3	—	9.65
Manganese Bronze	3	Nov. 11	2.5	3	2.5
McKechnie Bros.	5.5	—	5.28	8	7.28
Norscot Hotels ......int.	1.2‡	Dec. 6	—	—	—
Pressac	1.5	Dec. 4	1.5	2.2	2.2
TR Australia Inv.	1.3	Jan. 7	1.2	2.15	2

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issues. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 11 months.

West Yorks Hospital for USM

BY RICHARD TOMKINS

West Yorkshire Independent Hospital, a private company which operates an independent hospital called The Yorkshire Clinic in Bingley, West Yorkshire, is to seek a quotation on the unlisted securities market.

It will be the third private health care company to join the USM. The others are Health Care Services and The Swindon Private Hospital.

West Yorkshire Independent Hospital was formed in 1979 by a group of medical consultants to own and operate The Yorkshire Clinic. The initial development of the clinic was financed by a £3m fund raising, which left 60 per cent of the shares with institutional investors, 21 per cent with the founders and 19 per cent with about 300 private investors.

The flotation is expected to raise about £600,000 in new money for the company and will put about 16 per cent of the enlarged share capital in the hands of the subscribers.

The company is being brought to the market by Granville & Co, the London-based issuing house. Brokers to the issue will be Rensburg & Co.

Granville said yesterday that the flotation would give West Yorkshire Independent Hospital greater access to equity capital to support the clinic's development. It would enable the number of beds to be increased and permit the introduction of the latest medical technology.

It would also increase the marketability of the shares and enable those private investors who supported the company's initial development to realise their investment.

The announcement of the planned flotation coincides with the release of West Yorkshire's figures for the year to June 30 1985. Pre-tax profits have risen by 92 per cent to £448,000 on turnover up by 10 per cent to £2.35m.

The flotation will be Granville's first on the unlisted securities market. It has run an over the counter market for about 12 years, but aid yesterday that in the context of changes taking place in the City it was expanding its range of financial services.

Pressac lower at £1.1m but demand improving

Pressac Holdings, the electro-mechanical component manufacturer and precision engineer, returned lower taxable profits of £1.13m, against £1.34m, for the year to end-July, 1985.

Sales were reduced by £1.4m to £18.6m mainly as a result of reduced schedules from the telecommunications sector coupled with a sharp fall in demand from the consumer industries, particularly television.

The directors say that worthwhile savings as a result of a cost reduction exercise were achieved and there has been an upturn in demand during the latter part of the second half.

Demand for engineering products remained strong and satisfactory results were obtained from Pressaco SRL and Pressac International. Direct exports increased by 61 per cent to £3.15m and further increases are anticipated.

The board is recommending an unchanged final dividend of 1.5p, holding the total at 2.2p. Earnings per share were 7.2p (11.9p).

The current year has started well with improved demand in all sectors. However, the company says that it should be anticipated that the consumer durable market is both highly competitive and also subject to fluctuating demand.

Gross profit for the year under review was higher at £3.7m (£3.56m) but distribution costs, administration expenses and interest payable all increased.

Tax took £490,000 (£392,678), leaving a net result of £638,227 (£947,753). However, the absence of extraordinary items this time resulted in a higher attributable result of £577,494 against £351,665. Ordinary dividends will take £176,000 (same) to give a retained balance of £401,494 (£175,665).

Beazer tender offer void

C. H. Beazer, the housebuilding and construction group, announced yesterday that its unusual tender offer for 25 per cent of SGB Group, the scaffolding company, had failed to reach its 12 per cent target by Wednesday afternoon.

The tender offer—to acquire 10.688m shares—has thus been declared void. Such a result was widely predicted after the surprise intervention of BET, the international services group, with a three-for-four all-paper offer for SGB on Wednesday.

Beazer, which still holds 4.9 per cent of SGB, is highly unlikely to come back with an orthodox bid. However, the company does stand to gain considerably from its existing stake which was bought in the market at an average price of 147p compared with yesterday's closing price for SGB of 260p down 6p.

Neepsend warns of losses on molybdenum price fall

Neepsend's shareholders were warned at yesterday's annual meeting that the group would make a pre-tax loss for the first half of the current year.

The problem area, said Mr Stanley Speight, the chairman, centred on Neepsend's major profits contributor over the past few years, Ferro Alloys and Metals.

This subsidiary has experienced a downturn in the price of molybdenum, which had necessitated writedowns in stock valuations, and profit margins (because this is a dollar community) were reduced on sterling conversion.

The write-downs were substantial, he said, and would certainly "mean a pre-tax loss for the group for the half year."

However, he said that there were indications that the fall in process had bottomed out and the company hoped that the trend would soon be reversed.

Elsewhere, he said that all the engineering subsidiaries were operating profitably and he was confident that they had a profitable future with every opportunity for growth.

Negotiations for the sale of a factory at about £350,000, which is in excess of book value, were proceeding and depended upon satisfactory planning consents.

Another deal, for which contracts had been signed, was the more important, said Mr Speight. He could not give details of the site or the purchaser but said it would benefit shareholders' funds by over £2m and improve the group's borrowing position.

● At the Elbief annual meeting shareholders were told that the Elite range of products, which was being continually expanded, was a growing success.

The company was expanding its range further into products which, while not being subject to vagaries of fashion, were sold on their merits of style, quality, variety and finish.

Goodman posts £0.53m loss

Goodman Brothers, clothing manufacturer, saw pre-tax profits of £63,315 turn into a pre-tax loss of £528,722 in the year to April 30 1985.

Turnover for the period rose from £10.8m to £11.5m. Directors say steps are being taken to deal with the situation which will be announced in the chairman's statement with the annual accounts.

For the second year running, no dividend is being proposed.

Losses on the Dolly Day label and its associated West End showrooms amounted to £100,000. Dolly Day activities have been merged with main activities.

Full provision of £86,000 was made on legal claims, upon which recovery is expected. There was also a special stock provision of £50,000.

Gross margins were reduced by 3 per cent.

Loss per share was stated at 5.344p (earnings 0.508p) basic and 5.339p (earnings 0.501p) fully diluted.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Henry Boot, Brent Walker, Channel Tunnel Investments, Clayton Son, Dwek, Eastern Produce, Gieves Group, Grand Central Investments, Hopkinsons Holdings, Hunting Petroleum Services, Stanley Miller, Photax (London), Polymark International, Prince of Wales Hotels, Sapphire Petroleum, "The Times" Veneer, Toshiba, E. Upton.

Finals—C. H. Beazer, Fitzwilton, Floyd Oil Participations.

FUTURE DATES

Interims:—

Anglo Amer Corp South Africa ... Nov 28
Capital Gearing Trust .... Nov 14
CASE .... Nov 7
EMAP .... Nov 21
Fleming Far East Inv Trust ..... Nov 7
Glenfield Lawrence .... Oct 28
M.K. Electric .... Nov 20
Salvesen (Christian) .... Dec 4
Star Computer .... Nov 1

Finals:—

Bailey (C. H.) .... Oct 31
Bridport-Gundry .... Nov 4
Cobalt .... Nov 18
Scottish National Trust .... Nov 12
Town Centre Securities .... Nov 1

Assam-Dooars advances to £389,000

Assam-Dooars Holdings, investment holding company, lifted pre-tax profits from £144,666 to £389,357 for the first half of 1985. The result was due in part to increased dividends from the 48 per cent owned associate, Goodricke Group.

The result also includes dividends from Walter Duncan and Goodricke and Western Dooars Tea Holdings amounting to £61,552 declared by those companies for the year 1984. In the previous 12 months, the dividends were declared later and were not therefore included in the results to June 30, 1984.

The directors consider that profits for the year as a whole will compare favourably with the 1984 figure of £400,666 pre-tax.

Tax for the half-year was £89,679 (£34,817), giving a net balance of £299,678, against £109,849. Stated earnings per £1 share rose from 10.46p to 29.07p.

The company holds a 32 per cent stake in Western Dooars, which in turn holds over 29 per cent in Assam.

Western Dooars up

Western Dooars Tea Holdings' pre-tax profits increased to £222,877 in the first half of 1985, against £54,688 last time. The directors consider the full year result will compare favourably with the previous year's £210,000.

The higher figure was partly due to increased dividends received from Goodricke, the company's major tea producing investment in India.

Profits also include dividends from Walter Duncan Goodricke and Assam-Dooars Holdings amounting to £64,175 declared by those companies for the year 1984. In the previous 12 months, payments were declared later and were not included in results to June 30 1984. To this extent therefore, the two six-monthly period are not directly comparable.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	123	Ass. Brit. Ind. Ord. ...	131	—	6.6	5.0	7.3	8.7
151	135	Ass. Brit. Ind. CULS...	137	—	10.0	7.3	—	—
77	43	Airsprung Group	58	+1	6.4	11.0	9.7	12.6
46	28	Armitage and Rhodes...	45	—	4.3	9.6	5.6	6.7
162	108	Bardon Hill	162	—	4.0	2.5	20.5	21.3
64	42	Bray Technologies	57xd	—	3.9	6.8	7.0	8.0
201	155	CCL Ordinary	155	—	12.0	7.7	3.8	3.6
152	104	CCL 11pc Conv. Pf. ...	104	—	15.7	15.1	—	—
130	10	Carborundum Ord. ...	125xd	—	4.9	3.9	6.2	9.7
92	83	Carborundum 7.5pc Pf.	92	—	10.7	11.6	—	—
73	46	Deborah Services	52xd	—	7.0	13.5	5.4	7.1
734	182	Frank Horsell	734	—	1.4	0.2	17.3	23.3
602	170	Frank Horsell Pr.Ord.87	602	—	11.9	1.9	14.2	19.1
32	21	Frederick Parker	21	—	—	—	—	—
83	33	George Blair	79	—	—	—	3.2	6.9
50	20	Ind. Precision Castings	45	+1	3.0	6.6	11.9	9.9
218	177	Isis Group	190	—	15.0	7.9	14.6	21.8
124	101	Jackson Group	107	—	5.5	5.1	7.2	7.2
285	213	James Burrough	257	+1	15.0	5.8	8.1	8.1
94	83	James Burrough 9pcPf.	94	—	12.9	13.7	—	—
95	71	John Howard and Co.	84	—	5.0	5.9	8.7	10.5
225	100	Linguaphone Ord.	180	—	—	—	6.6	6.9
100	90	Linguaphone 10.5pc Pf.	90	—	15.0	16.7	—	—
650	300	Minihouse Holding NV	570	—	6.9	1.2	24.9	23.7
120	31	Robert Jenkins	79	—	—	—	10.3	22.6
60	28	Scruttons "A"	31	—	—	—	—	7.9
82	61	Torday and Carlisle ...	68	—	5.0	7.4	3.4	8.2
444	320	Trevian Holdings	320	—	4.3	1.3	18.2	17.9
35	17	Unilock Holdings	35	—	2.1	6.0	9.5	9.3
113	81	Walter Alexander	110	—	8.6	7.7	6.2	7.6
247	196	W. S. Yeates	200	—	17.4	8.7	5.7	9.8

Prices and details of services now available on Prestel, page 48146

UK COMPANY NEWS

Blue Arrow pays £19m for Brook Street agency

BY FRANK KANE

Blue Arrow yesterday became the leading force in the UK staff recruitment market via the £19.2m acquisition of Brook Street, the international staff agency founded and controlled by Mrs Margery Hurst.

Mr Tony Berry, chairman of USM listed Blue Arrow, said that the deal, which has won the backing of the Hurst family and its 60 per cent shareholding, would produce a combined turnover of approximately £80m, well above that of its closest rivals.

It will also give his company a 10 per cent share of the staff recruitment sector, and increase the total number of branch offices from 68 to 170. These will be in most major provincial towns as well as Central London, which has been Brook Street's strength.

The terms of the offer—one new Blue Arrow share of 25p for each Brook Street 10p shares—will mean the issue of 10.34m new shares, or 45 per cent of the enlarged share capital. Mr Berry said yesterday that these have already been oversubscribed.

There is a cash alternative of 165p per Brook Street share, and this has been taken up by the Hursts to give them a £10m profit on the deal. Mrs Hurst, who founded the company in 1946 and made it into the best-known name in the UK employment business, will continue as non-executive director on a three-year contract, but her husband Eric will relinquish the chairmanship that he has shared with her.

Mr Berry said that the acquisition, which has been the subject of speculation since last February, would enable Blue Arrow to complete its five-year corporate plan three years ahead of schedule. Benefits are expected to arise from the combination of his company's industrial, catering and technical staff recruitment side with Brook Street's prestigious office staff sector.

He added, however, that Brook Street had become a "bit fat and a bit sluggish," and that "savings and improvements" would be made to get a better return on turnover.

The announcement of the deal was accompanied by profit forecasts from both companies. Blue Arrow foresees profits of not less than £1.9m for the year to October 31 1985 while Brook Street is expected to make £1.8m in the year to December 31.

Mr Berry also said that he would not disagree with brokers' estimates of around £4m pre-tax for Blue Arrow next year, and he added that the combined group was perfectly capable of making £7m-£8m in the period.

Reed Int building group sold for £61m

By David Goodhart

Reed International announced completion of the sale of its Building Products Group yesterday to a management team backed by Candover Investments for £61m cash.

This is slightly less than the £70m expected when Reed agreed in principle to the management buy-out at the beginning of August. However, it is still one of the largest of recent buy-outs.

One reason for the lower price is that the assets sold do not include the freehold of the land and buildings occupied by Key Terrain, at Reed's Aylesford site in Kent, which had a book value of £5.1m in March 1985.

Mr Michael Collins, a former Reed director and chairman of the Building Products Group, is also taking a lower profile than originally envisaged after leading the management team in the buy-out.

The new company—Caradon—will be headed by Mr Peter Jansen, a former chairman of Redland Bricks. The non-executive chairman will be Mr Anthony Hichens, managing director of Consolidated Gold Fields.

Mr Collins, 58, will join the board as a non-executive director. Mr Stephen Curran of Candover, who will also be a non-executive director, said: "I think we all decided that the age profile made Mr Jansen more suitable for the chief executive role."

Caradon is expected to seek a full listing in the next three to four years. It is taking over companies such as Twyfords, Curran, Walker Crossweller, Rolinx and Elliott Moulders with a combined turnover last year of £132m and trading profits of £7.7m.

The financing of Caradon has been provided by a number of City institutions and a banking consortium led by the Bank of Scotland.

The main equity backing has been provided by Globe and Electra Investment Trusts and Candover, CIN Industrial Investments, the Hoare Candover Exempt Fund and the Scottish Eastern Investment Trust.

McKechnie ahead at £16.38m as UK profits increase 25%

RECORD profits at McKechnie Brothers, industrial holding company, would have been substantially higher, but for the devaluation of some currencies in which some profits are generated, says directors.

They report pre-tax profits of £16.38m against £14.49m for the year to July 31 1985, on increased turnover of £221.74m against £202.83m.

Trading profits in the UK increased by more than 24 per cent. Record results were achieved by subsidiaries and associated interests in New Zealand. South African associates maintained profit in local currency terms and accounted for 13 per cent of the group's pre-tax totals.

A final dividend of 5.5p (5.28p) is proposed, making a total of 8p (7.28p) for the full year.

The company says it expects the trend in improved UK results to continue. Although New Zealand profits are ahead to date, it seems unlikely that the country's economy can continue to be so favourable to the company's operations.

● comment

McKechnie Brothers has come in on target with the market perhaps responding warmly to the news that South Africa is of lessening importance and that the dividend has been increased in spite of the slim earnings cover. The new UK finance director clearly spent a useful temporary assignment in Australia. The two operating subsidiaries have been sold for a £500,000 gain over book value and £200,000 has been recovered from the fraud that so hurt below the line next year. Offsetting these gains in the extraordinaries account this time were £680,000 in UK closures costs. No provision has been felt necessary for the copper rod dumping case in the U.S. The next year could be one for important decisions vis a vis the future of South Africa, any rise in the rand might lead to selling off part or all of the involvement—which contributed £2.2m this time, £800,000 less than last year. For the coming year £17.5m is forecast, which has the shares probably slightly underrated on a prospective multiple of 8½ at 144p on a 35 per cent tax charge.

RTD Group suspended —in talks

By David Goodhart

The loss-making Irish engineering group, RTD Group, was suspended yesterday at 26p following an announcement that it is in take-over discussions.

The company it is talking to was not named but it is understood to involve a reverse take-over with an unquoted UK company. If the deal goes through it is expected that RTD shareholders would represent about 40 per cent of the new company.

George Dew stake

Bremner, the Glasgow-based department store company, yesterday revealed it now owns a 5 per cent stake in civil engineering company George Dew. Bremner would not comment on the reasons for taking the stake.

Chesterfield

Chesterfield Properties, property dealer, developer and investor, increased pre-tax profits from £3.08m to £3.66m in the six months to June 30, 1985.

An interim dividend of 4.5p (4p) is being paid.

Turnover was up at £5.77m (£4.71m) with interest payable of £225,000 (£438,000) and tax of £1.42m (£1.32m).

Earnings per share were stated at 11.19p (8.8p).

Abbey erects defences against French Kier bid

BY FRANK KANE

Abbey, the Dublin-based builder which is fighting off a £20m bid from UK construction, shipping and property group French Kier, has opened its formal defence with the prospect of higher profits for the current year, and the resumption of dividends after a two year break.

Mr Charles Gallagher, the Abbey chairman, says in the document posted to shareholders yesterday, that with almost six months of the current trading year complete, pre-tax profits for the period to end-April 1986 will double to not less than I£6m, and that both net profits and earnings per share will treble to at least I£3m and 12.8p respectively.

In the light of this forecast, Abbey intends to pay 5p net for the year, with a first interim instalment of 2p to be paid next February. The restart of dividends was foreshadowed at the annual meeting earlier this month, before the offer from Kier.

Abbey also replied to Kier's attacks on its trading record and share performance. It says that these are based on five year comparisons, which it regards as misleading.

"All shareholders will be aware that this bears no relationship to the current trading and future trading of Abbey. The present management," it points out, "has only been in place since October 1983."

Mr Gallagher accuses Kier of "trying to buy Abbey's valuable land bank, plant hire business and established reputation on the cheap."

Better start to year by Philip Hill

THE NET asset value of Philip Hill Investment Trust was ahead by 3.5 per cent at 291.7p on September 30, compared with 281.7p a year earlier. However, it was down from the 303.4p reported at the end of March.

The interim payment has been maintained at 3p. Last year there was a total payment of 9.65p.

Stated earnings per share came out at 4.97p (4.66p).

Total revenue for the six months to the end of September was £7.67m against £7.38m last time. Administration expenses were slightly down at £454,000 (£457,000) and the tax charge was unchanged at £2.39m, leaving net revenue at £4.83m, against a comparable £4.51m.

Heath reorganisation

LEADING INSURANCE broking group C. E. Heath has made a major management reorganisation of its insurance broking activities designed to promote the overall functional efficiency of the group.

The underlying objectives of the reorganisation are firstly to separate the professional administration activities required in running the group from the actual insurance broking operations. In addition, the reorganisation is designed to meet the changing markets in which C. E. Heath operates.

The main board will be responsible for overall group control, corporate strategy and finance. Immediately below will be a newly formed board responsible for executive operations, C. E. Heath (Insurance Broking) Holdings.

This will have three arms. G. E. Heath (Insurance Broking) will be responsible for the Lloyd's broking and the other wholesale broking operations in the London market. C. E. Heath (UK) will handle the UK retail broking operations, including the life and pensions arms and reflects the growing importance of retail broking in the UK. The third arm is C. E. Heath Overseas Broking.

Mr Derek Newton, the group chairman, said that the reorganisation recognised two distinct features in a management structure—corporate strategies and the means of achieving them.

Atlantic Resources

Atlantic Resources, the Irish oil and gas exploration company, yesterday announced plans for a placing of shares at Ir27p to fund the company's future exploration activities. The shares closed 2p down at 24p.

BANK RETURN

BANKING DEPARTMENT	Wednesday October 23 1985	Increase (+) or decrease (—) for week
LIABILITIES	£	£
Capital	1,4553,000	—
Public Deposits	4,261,901,737	+ 1,421,759,188
Bankers Deposits	822,634,988	+ 100,689,161
Reserve and other Accounts	1,406,125,812	— 21,823,132
	6,505,215,537	+ 1,500 625,217
ASSETS		
Government Securities	550,227,771	+ 12,600,000
Advance & other Accounts	642,218,258	— 195,835,813
Premises Equipment & other Secs.	5,305,394,035	+ 1,682,016,634
Notes	6,910,020	+ 1,846,773
Coin	466,463	-- 1,827
	6,505,215,537	+ 1,500,625,217

ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes in circulation	11,993,089,980	— 11,846,773
Notes in Banking Department	6,910,020	+ 1,846,773
	12,000,000,000	— 10,000,000
ASSETS		
Government Debt.	11,015,100	—
Other Government Securities	2,463,000,377	+ 620,556,166
Other Securities	9,525,984,523	— 630,556,166
	12,000,000,000	— 10,000,000

UK COMPANY NEWS

Gallaher moves ahead to £33.3m in third quarter

Gallaher, U.S.-owned group with interests in tobacco, engineering, optics and distribution, reports pre-tax profits of £33.3m in the three months to September 30 1985, against £31.8m, making £87.2m for the nine-month period.

The nine-month figure is unchanged because of high interest rates on increased borrowings, says the company.

Third quarter group turnover is 6.4 per cent up from [illegible] to £651.4m. For the nine months it stands at £1.73bn against £1.61bn.

Tobacco interests for the nine months show an increase in profit before interest of 6.3 per cent, from £70.2m to £74.6m. Other interests showed a 12.9 per cent increase from £26.3m to £29.7m.

The company, which is owned by American Brands, says trading profits for tobacco interests were 11 per cent up on last year, helped by buoyant home sales and well-maintained market share. Overseas tobacco operations continue to perform well.

Optical interests, after a slight dip in the second quarter against last year, showed a 13 per cent third-quarter increase in sales and a 6 per cent increase in trading profit. Cumulative profits are a little below last year, reflecting the very competitive market conditions, particularly in the UK.

In engineering, a 16 per cent rise in third-quarter profits narrowed the cumulative shortfall on last year's performance, caused by the miners' strike, reorganisation costs and difficult trading conditions in Africa.

Cumulative results for distribution interests are 18 per cent up, but the third quarter fell behind the strong performance in the same period last year.

Office products are just ahead in the nine months, held back mainly by poor results in Australia. Rexel is enjoying an excellent year.

Despite strong export sales results of houseware interests have been affected both by a flat domestic market and the tough economic conditions faced by some overseas subsidiaries. Current trading shows a stronger trend.

Non-tobacco profits for the nine months are as follows: optical £10.6m (£10.7m); engineering £5m (£5.1m); distribution £6.9m (£6.4m); office products £3.5m (£3.4m) and housewares £4.5m (£1.9m—only for the seven months following acquisition).

There was a debit adjustment of £0.8m (£1.2m) which includes exchange differences arising on foreign currency transactions and the differences between opening and closing unrealised profits on inter-divisional sales.

Tax was £37.1m (£37.2m) and minority interests were £100,000 (same).

Norscot at £0.23m midway

Norscot Hotels, the Scottish hotels business which joined the USM in April, has turned in pre-tax profits of £234,000 for the six months to July 31, 1985, on turnover of £1.7m. No comparative figures are given.

There was no tax and after the £16,000 preference dividend, attributable profits were £218,000. Earnings per 50p share came to 3.81p and an interim dividend of 1.2p net is being paid, costing £69,000.

Mr P. A. Ross, the chairman, says it is premature to forecast results for the year, but he hopes to announce satisfactory profits. He is optimistic for 1986. Tour bookings taken for next season are well ahead of the bookings at this time last year.

The chairman says the season was slow to start, but in spite of the weather in Scotland this summer being the worst on record, turnover improved as the weeks progressed and the holiday/tourist traffic is now running about 20 per cent ahead of the same time last year.

For various reasons the requirement for bed spaces from oil-related activity did not materialise this spring so the company has not benefited from this source of revenue. However, activity in the Cromarty Firth area is now increasing.

Recent expenditure of around £1m has been incurred in the programme of refurbishment and refitting of the group's hotels; including re-wiring, re-plumbing, installation of central heating, addition of private bathrooms and provision of new furniture, beds and carpets. The company plans to continue upgrading the hotels in the coming winter.

In August, Norscot paid £0.63m cash for Clan Hotels, a private company owning three hotels in Scotland. These add over 200 rooms giving the group just under 1,000 rooms. The board is satisfied that in due course the acquired hotels will make a useful contribution to group profits.

TR Australia ahead despite dollar's fall

DESPITE THE weakening of the Australian dollar, **TR Australian Investment Trust** increased both net asset value and net revenue in the year to August 31. The nav, fully diluted by the full exercise of warrants, rose by 1.5 per cent from 105p to 106.6p.

The directors say that the results were satisfactory considering the decline of the dollar and, in asset terms, the company performed better than the market index. The Australian All Ordinaries Index rose by 27.9 per cent, compared with the increase of 31 per cent, in dollar terms, in the total assets less liabilities.

Net revenue came out at £816,000, up by 16 per cent from the previous year's £704,000. From earnings per share of 2.84p (2.44p), the directors are recommending a final payment of 1.3p (1.2p), making a total for the year of 2.15p (2p).

The fall of the dollar in early 1985 has reduced the estimated sterling revenue for the present year but the directors expect to be able to maintain the dividend for the year.

Manganese Bronze ahead

Manganese Bronze Holdings, which has interests in vehicle manufacture, metal components and aluminium fabrications, has increased pre-tax profits from £1.45m to £2.02m in the year to July 31 1985.

A net dividend of 3p (2.5p) is proposed.

The company, which last year acquired Mann & Overton, maker and distributor of the London taxi-cab, increased turnover from £42.49m to £44.55m.

Net interest payable was £795,000 (£486,000) and tax payable was £593,000 (£399000). Earnings per 25p share rose from 7.12p to 8.79p.

COMPANY NEWS IN BRIEF

PILKINGTON BROTHERS, glass maker and processor, has acquired the optical systems division of Phalo Corp, U.S., maker of fibre optic communications equipment, turnover of which is expected to exceed $4m (£2.75m) this year.

COPELAND CORPORATION, of the U.S., has assigned options to subscribe for 2m new ordinary shares of 5p each in Suter to funds managed by Kleinwort Benson Investment Management. The options were granted to Copeland in February 1984 when it bought Suter's Prestcold Semi-Hermetic Unit division and are exercisable to December 23 1985.

PRONTAPRINT has signed a master licence agreement covering five European countries, with a specially formed French subsidiary. It is intended that the company will be capitalised at FFr 6m (£520,000) and its shareholders will be the key executives, and certain French institutional and private client investors. Prontaprint will also have a 10 per cent holding. The five countries included are France, West Germany, the Netherlands, Switzerland and Australia.

FORWARD TECHNOLOGY INDUSTRIES, electronics and specialised machinery maker, reports lower pre-tax profits of £122,000 in the six months to June 30 1985 against an adjusted £128,000. Turnover was £11.14m (adjusted £9.83m) with earnings per share of 0.1p (0.4p) on enlarged share capital.

COOKSON GROUP *has received* acceptances of its offers for Frank Horsell Group in respect *of 4.81m Horsell ordinary shares* and 546,216 preference shares. Offers have become unconditional as to acceptances.

REEBOK, an associate of Pentland Industries, expects sales for 1985 to grow to approximately $275m (£192m) and earning to increase to 2.35 cents to 2.4 cents per share.

TSL THERMAL SYNDICATE has purchased BGL-UK, which makes and supplies fabricated quartz products to the semiconductor industry, from Berkeley Quartzlab, of California. The price of £300,000 comprises debts of £169,000 due to the parent company and £131,000 for the share capital.

SCOTTISH Ice Rink Company (1928) reports pre-tax income up *from £31,807 to £76,560 in the* six months to the end of March 1985 on turnover up to £218,606 *(£178,555). Earnings per £1* share were 113.42p (47.12p) and again there is no interim payment.

EXPAMET INTERNATIONAL has entered a conditional agreement with the partners of Link Security Products for the purchase of fixed assets, stock, debtors and goodwill for £634,612 (plus stock and debtors).

ELECTRON HOUSE *is buying* Kelvin Impex, an importer and distributor of electronic and *electro-mechanical* components, for an initial payment of £1m satisfied by an issue of 930,349 *shares. There is also a deferred* profits-related payment over the next four years up to a maximum of £1m.

CONTRACTS

British Telecom places Maestro van order

British Telecom has placed a second order with **AUSTIN ROVER** to supply Maestro vans. This makes the Telecom contract the biggest single van order ever secured by the company. The total order is worth £16m at retail prices. Telecom want a further 430 Austin Maestro City 50 vans on top of the 3,155 ordered earlier this year. The Ministry of Defence has placed an order for 300 Metro 1-litre vans for delivery in November and the Southern Electricity Board has ordered 221 Metro 1-litre vans for delivery through Wadham Stringer of Southampton.

★

RUSH & TOMPKINS has secured six building contracts worth over £6m. The largest, at £1.57m, is with South Tees *Health Authority* for an acute wards block at Middlesbrough General Hospital. *Work has started on the two-*storey 32,000 sq ft structure, scheduled for completion in *March* 1987.

In Wimbledon, work has started on a £1.47m contract with Waterglade Developments for a four-storey office building and a three-storey block of five flats. The 22,000 sq ft office building has a reinforced concrete frame and features a basement car park. Completion is scheduled for June next year.

A £1.1m 10-month contract is starting in Leicester for the *Territorial Auxiliary* and *Volunteer* Reserve. The project includes construction of a 19,000 *sq ft steel frame complex* housing a rifle range, drill hall and garage and refurbishment of an *adjoining 19th century building* to form offices, lecture theatres and mess facilities.

A £800,000 refurbishment is being undertaken at Chester, involving renovation and enlargement of an 18th century house at Dale army camp to form an officers' mess, for the Property Services Agency for completion next may.

In Andover work has started on a £700,000 contract with Conder Projects for a three-storey 54,000 sq ft office block, and in Stockton a £500,000 contract with Barclays Bank is underway to refurbish the interior of the Barclaycard centre.

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The **POBJOY MINT** has secured a three-year contract to supply Chinese New Year coins for Macau, commencing with the Year of the Tiger in February next year. These will be followed by coins celebrating the Year of the Rabbit or Hare (1987) and the Year of the Dragon (1988). Worth some £5m the contract *was* won *against* competition from Japan, Korea, Taiwana nd Singapore as well as from European mints. The coins, to be *minted* in Sutton, Surrey, will be available in two denominations, 100 patacas (sterling silver) and 1,000 patacas (22 ct gold) and two finishes—proof and circulating. There is a minting limit of 5,000 for each denomination.

★

WESTLAND aerospace division has won an order worth £3.9m from the De Havilland of Canada aircraft company for 30 sets of engine nacelles for the De Havilland Dash 8 airliner. The new order will mean production of the nacelles will continue at least until late 1987. Further orders are expected. *The nacelles* —two per aircraft set—are made from lightweight titanium metal and *Kevlar composite material*, using advanced forming technology.

★

The **KYMMENE-STROMBERG CORP** is to be responsible for *the electrification of the West* Future, one of the world's largest drilling and production *semi-submersible rigs*, which is under construction in South Korea. The rig is due for delivery to A/S Smedvig Drilling Company, Norway, and the electrification contract is valued at £2.9m. Equipment includes generators, transformers, thruster motors and starters, kW pump motors, two main distribution boards and a SELMA-based integrated control system. This system provides supervision and control of generation; thrusters, ballast and bilge motors; fuel oil transfer and water-services sysetms; standby pumps; drilling drives and machinery supervision and alarms.

★

ALFRED McALPINE companies *have been awarded orders totalling over £3.4m.* Whyatt, part of the construction division, has been awarded two contracts totalling almost £2m. The first, worth over £1.4m, was awarded by Usborne Developments. The 60-week contract involves the erection of 38 homes plus associated works in Stockwell, London, SW8. The second, worth over £500,000, was awarded by Texas Homecare and involves the fitting out of a retail store in Brentford, Middlesex.

Alfred McAlpine Construction has been awarded a design and construct contract worth almost £1.4m by British Nuclear Fuels. Work involves the design and construction of transport workshops, offices, and complete maintenance *facilities* at *Sellafield*, Cumbria. The buildings will be steel framed, and have low-*pitched roofs clad with profiled* aluminium.

FINANCIAL TIMES SURVEY
Friday October 25 1985

Minnesota

Minnesota, proud of its innovative skills, is struggling to find local solutions to national problems and maintain its relatively high living standards

Strong tradition of adaptability

BY TERRY DODSWORTH

DURING THE post-war era, two outstanding politicians have emerged from the relative isolation of Minnesota to make an indelible impression on the national government of the U.S. Mr Hubert Humphrey and Mr Walter Mondale, both Democrats, both vice presidents and both losers in a bid for the presidency, never quite made it to the top. But they carried the banner for a style of welfare politics that radically changed the way Americans treat its poor and underprivileged.

Their brand of liberalism, the "great society" popularised by Mr Humphrey, with its commitments to social justice and government spending is under *serious challenge today in* Washington. The same is true to some extent in Minnesota itself, where Mr Rudy Perpich, the present Democratic Governor, has backed a budget which in the current fiscal year will cut $1bn from personal income taxes, at the cost of trimming some social services.

But the swing of the political pendulum does not alter the fact that in Minnesota it begins closer to the liberal left than in most other states in the union: The politics of Mr Humphrey and Mr Mondale sprang straight from the Minnesotan mainstream.

This position in the kaleidoscope of U.S. politics goes back a long way. For virtually a 100 years, the state governorship was held mainly by the Republicans, but the local Minnesota politicians practiced a Republicanism tempered by a progressive spirit that set them well apart from the big business interests who took over the national Republican party in the 19th century.

When the civil war broke out only three years after the foundation of the state in 1858, Minnesota nailed its colours firmly to the anti-slavery flag pole, becoming the first state to offer troops to the Union. Later, as the grain trade expanded, the local legislature came to the help of the small farmers by taking on the *merchants and the railroads* and mandating a regulatory system of inspection and grading.

The result of this tradition of opposition to big power blocks is a system of open government which outsiders regard as more than usually responsive to popular pressure.

Sinclair Lewis, the locally-born writer who minutely analysed middle class small town life in novels such as Main Street and Dodsworth, has a characteristically critical Minnesotan attitude.

In the last few years, the openness of the government system has once again been demonstrated in an unexpected manner, as a Democratic Governor has lent an ear to the demands of the corporate sector and begun to lighten the local tax burden.

The problem, according to industrialists, was that the state had become known as a high tax area where business suffered both from the rate of personal income taxes and from the cost of welfare payments of employees.

Companies in many other northern states, have tackled this kind of difficulty by simply moving out. But in the late 1970s, the business community in Minneapolis-St Paul, the *twin cities that house the state* government, most of the state's large companies and half of its 4.2m population, reacted in a typically loyalist Minnesotan manner, deciding to try and persuade the authorities to alter their policies.

"The Governor told me that if we wanted changes we had to speak out," says Mr Lewis Lehr, chairman of 3M, the largest company in the state.

Mr Lehr became a founder-member of the Business Partnership, a pressure group that has sought to promote discussion and action on industry's problems. Last year, the Partnership achieved what is regarded as a crucial victory when the legislature pushed through income tax reforms which narrowed some of the differential with other states.

The Business Partnership has not concentrated its fire power solely on easing the financial burden on industry. It has also worked on a programme to reform the local education system, with the aim of promoting more equality in *standards and making higher* education more attractive to students.

Despite opposition to welfare programmes and public expenditure, it can be argued that the active involvement of the state in development programmes is partly responsible for Minnesota's ability to take a lead in some areas.

The state, for example, is often attributed with having been an innovator in agricultural methods because it had the foresight to spend heavily on an agricultural department at the local university. More recently, when the traditional commodity industries came under pressure, Minnesota was able to make a smooth transition to high value-added high technology industries partly because it had invested in a well-educated *workforce.*

The development of this strong industrial infrastructure attests to the adaptability of Minnesotans. In the early years, the economy was based upon an entirely different footing, dependent on lumber, iron ore and the small farmers who flooded in from Scandinavia to grow grain on the prairies and build up the thriving dairy industry.

The commodity sectors were supported and reinforced by the state's position at the intersection between the populous industrial areas of the east and the prairie farming belt adjoining *Canada. St Paul,* the first of the twin cities to be developed, grew up at the highest navigable point on the Mississippi, which rises on northern Minnesota, and which successively shipped furs and grain down to New Orleans and to Europe.

Duluth, built for its access to the iron ore mines, sprang up on Lake Superior, the most westerly link in the shipping *system provided by the Great* Lakes.

The bridge between this traditional economy, established to exploit the raw materials of the area, and the sophisticated industrial sector of the post-war era, is attributed by Minnesotans to a mixture of abundant capital and native entrepreneurship.

Since the early days, the region has always generated excess funds, mainly because the grain traders and the transport companies found Minneapolis-St Paul a convenient location to centralise their highly profitable activities.

Thus, it became a headquarters centre rather than a satellite of big business back east.

The entepreneurial element also appears to be just as strong in the modern-day Minnesotan business community as it was in the raw 19th century pioneering era. Some outstanding examples of companies created by powerfully motivated individuals have been thrown up in the develop*ment of the computer industry* — notably at Control Data and Cray Research.

One of the central questions for the future of the state is whether this determinaton to innovate and find local solutions to problems which sometimes emanate from outside the state will be enough to secure the relatively high living standards of the average Minnesotan.

These problems are scarcely visible in the bustling area of the lakes and motorways around the twin cities, but this does not detract from the seriousness of the crisis facing the two hardest-hit sectors of the economy — the farming community and the workers on the northern iron ore range, an area already isolated by the fiercely cold winters which sweep down from Canada.

Minnesota's answer to this sudden slump in its traditionally healthy rural communities is a typically phlegmatic mix of calm appraisal, pragmatism and reliance on local initiative which blend the public and *private sectors.*

The state government, for example, has recently begun a programme to support entrepreneurial intiatives through local offices across the state. In Duluth, the mayor, Mr John Fredo, has brought together every conceivable local representative body in a joint organisation which is well on the way to revitalising the city by raising money, cleaning up the shopping area, attracting industry and investing in new technology for the steel industry.

"We have been through hard times and survived before," says Mr Fredo, who originated in the working class communities on the iron range.

Facts and figures

	U.S.	Minnesota
Service industry establishments ('000s)	1,261.7	20.0
Unemployment rate (%)	7.3	5.4
Average annual pay ($)	17,542	17,215
Personal income (in constant 1972 $bn)	1,286.1	22.6
Consumer price index — All items (1967=100)	318.7	332.3†
Gross farm income ($m)	163,163	7,493
Total forest land ('000 acres)	736,558	16,709
Manufacturers exports (shipment value in $bn)	2,017.5	35.5
Daily newspapers	1,701	26

† Minneapolis/St. Paul SMSA.

Sources: 1985 Statistical Abstract, 1985/86 Minnesota Data Book, Department of Labor; Department of Commerce, Department of Agriculture. Research: Rivka Nachoma

Minnesota's leading companies

1984 RESULTS ($m)

Company	30/9/1985 market capitalisation	1984 revenue	% change on year	1984 net income	% change on year	Principal business	Fortune ranking
Minnesota Mining & Mfg. (3M)	8,838.7	7,705.0	+ 9.5	733.0	+ 9.9	Diversified manufacturer	Industrials 45
Honeywell	2,890.4	6,073.6	+ 5.6	294.8	+27.5	*Electronics & data processing*	Industrials 56
General Mills	2,733.1	4,285.2	−23.5	159.4	−31.2	Foods	Industrials 64
Control Data	646.3	5,026.9	+ 9.7	83.2	−48.5	Electronics	Industrials 71
Pillsbury	2,521.5	4,670.6	+11.9	176.1	+ 9.7	Foods	Industrials 94
Land O'Lakes	n.m.	2,278.4	−30.2	n.a.	n.a.	Cooperative	Industrials 161
Geo. A. Hormel	393.9	1,454.5	+ 2.6	29.5	+ 5.7	Foods	Industrials 240
International Multifoods	293.0	1,211.2	+13.5	19.5	−32.3	Foods	Industrials 293
Bemis	224.1	779.3	+11.2	18.1	+61.6	Packaging	Industrials 358
MEI	634.5	734.3	+19.1	43.8	+14.4	Soft drinks	Industrials 369
Deluxe Check Printers	1,596.2	682.8	+10.2	87.8	+14.6	Printing	Industrials 386
Pentair	204.1	545.4	+70.8	21.3	+79.0	Paper	Industrials 440
H. B. Fuller	153.9	448.0	+ 5.3	13.0	− 5.8	Diversified manufacturer	Industrials 473
Jostens	503.4	440.4	+12.5	33.8	+18.2	Manufacturing	Industrials 486
Meotronic	573.9	378.8	−10.4	46.8	−20.8	Manufacturing	Industrials 496
Super Valu Stores	1,473.5	6,547.7	+10.6	83.3	+ 8.6	Food wholesaler and retailer	Diversified Serv. 4
Harvest States	n.m.	3,569.2	+51.5	n.a.	n.a.	Cooperative	Diversified Serv. 12
Nash-Finch	137.9	1,235.3	+ 8.3	11.7	+ 5.4	Foods wholesaler and retailer	Diversified Serv. 50
Gelco	239.1	929.9	− 1.0	11.4	n.m.	Transportation management	Diversified Serv. 63
St Paul Companies	1,358.0	2,359.1	+ 1.6	(206.3)	n.m.	Insurance	Diversified Fin. 38
IDS (subsid. Am. Express)	n.m.	798.8*	+33.7	339.3†	+29.9	Insurance	Life Insurance 24
Northwestern National	192.6	1,141.6*	+43.4	148.5†	+15.3	Insurance	Life Insurance 33
Minnesota Mutual Life	n.m.	593.5*	+14.6	208.7†	+17.6	Insurance	Life Insurance 37
Dayton Hudson	3,687.3	8,009.0	+15.0	259.4	+ 6.7	Retail	Retailing 11
NWA (Northwest Airlines)	1,046.9	2,445.0	+11.3	86.9	+73.5	Transportation	Transportation 13
Republic Airlines	262.3	1,547.2	+ 2.4	13.7	n.m.	Transportation	Transportation 17

* Premium and annuity income. † Net investment income. Research associate: Rivka Nachoma.

Buoyant industries in twin cities offset declining sectors

Diversity helps to maintain equilibrium

MINNESOTA BANKS—HOW THEY FARED ($m)

Name	Assets at 31.12.84	1984 net income	% change on year	6 months net income	% change on year	Reserve for loan losses at 30.6.84	As % of total loans	Non-performing loans at 30.6.84	As % of total loans	1984 return on equity	1984 return on assets	1984 primary capital ratio
First Bank System, Inc	22,437.7	131.1	+ 1.0	79.0	+23.0	203.9	1.49	496.0*	2.03*	12.0	0.63	5.73
Norwest Corp	21,346.0	69.5	−44.5	58.6	−11.5	270.3	2.00	451.0**	3.3	5.3	0.34	6.54
Bank Shares Inc	1,553.7	7.7	− 6.3	4.3	+13.3	4.6	†	†	†	†	†	†
Bremer Financial Services	1,495.0	5.2	−52.6	4.8	− 5.4	14.8	1.55	38.3	4.0	5.31	11.88	9.07
American Bancorporation	821.7	6.9	+16	3.2	− 1.8	5.71	1.05	8.15	1.5	15.07	0.92	7.05
National City Bancorp	476.8	4.5	−23.0	1.86	− 1.0	3.9	1.43	8.37*	3.1	9.27	1.04	11.4

*Assets. † Not disclosed. ** Excludes $78m in secured loans past due 90 days or more. Research associate: Rivka Nachem

Economy

PAUL TAYLOR

THE MINNESOTA economy, like the wider U.S. economy which it mirrors so closely, is a patchwork quilt of the old and new, heavily dependent on trade and strikingly diverse in its make-up.

While older traditional sections of the state's economic base, like agriculture and mining, are contracting, new jobs have been created in the service and high technology sectors—helping to maintain an equilibrium and keeping the state in step with the fortunes of the wider domestic economy.

Minnesota's unemployment rate averaged 5.4 per cent between 1970 and the fourth quarter of last year compared with a national average of 6.9 per cent, according to the Minneapolis Federal Reserve Bank. It is running at about 5 per cent in the state and about 3.8 per cent in the twin cities metropolitan area.

Non-farm employment growth has also mirrored the national picture averaging 3 per cent last year compared with 2.5 per cent nationally while non-farm income grew by 3.6 per cent compared with 3.1 per cent across the U.S.

"The local economy can be divided into three sections," says Dr Sun Won Sohn, Norwest Bank's chief economist. "The twin cities area which accounts for 55 per cent of the population and jobs in the state, agriculture and the iron range."

The hardest hit, and longest declining, of these three areas has been the iron range taconite mining sector in the north east of the state which has been squeezed both by falling domestic demand and cheaper—higher quality imports.

As a result unemployment in some of the iron range towns is now estimated at over 50 per cent with over 7,500 miners out of work. Mining production is running at around half of its late 1970's peak and is continuing to decline as a result of closures. According to official figures overall mining employment in the state shrank by 8.1 per cent to 10,200 in the year to June.

Most local economists believe Minnesota's mining sector will continue to stagnate — at least in the near term — although few expect the industry to disappear altogether.

They note that the iron range contains enough taconite to supply the domestic steel industry for an estimated 200 years at present consumption levels and that experimental new steel production processes could give the mining sector a new lease of life.

The current sharp cyclical decline in the agricultural sector reflected in falling commodity and land prices and in a marked decline in farm income — has also hit Minnesota hard. Minnesota farmer's annual earnings have dropped from over $12,000 a year in 1978 to just over $8,500 last year while commodity prices are currently running at about half their 1979 peak.

Aside from being the largest turkey producer in the U.S and the second largest dairy producer, Minnesota is also the service and distribution centre for the vast agricultural mid-west. As a result, farmer's problems have rippled through the local economy leading, for example, to sharply higher loan losses and credit problems at some of the local and regional banking groups.

Equally worrying is the fact that economists and bankers do not expect any quick turnabout in the sector. "Agriculture will continue to suffer because of falling commodity prices, notes Dr Sohn, but they also agree the tide will eventually turn."

The problems of the agricultural and mining industries have already led to a greater concentration of the state's 4.15m population — and economic activity — in the twin cities area, the most promising of the state's three major economic sub-sectors. Over 1.2m of the state's 2.1m jobs are found in the Minneapolis- St Paul Metropolitan area and these jobs tend to be the higher paying ones.

The buoyancy of the twin cities economy owes much to the service industries and the broadly defined high technology industries—computers, medical technology and defence.

It is these industries upon which the state is pinning its hopes for continued economic growth. But as the recent sharp downturn in the computer sector, as evidenced by Control Data's current problems, and growing pains in the healthcare sector illustrate, not even these industries are recession-proof.

"Minnesota is a very interesting and diversified economy," says Dr Sohn. But like the U.S. economy itself, Minnesota has seen a slowdown in economic growth this year, as is evidenced by the latest figures from the senior economists at the Minneapolis Federal Reserve Bank.

In its third quarter review and outlook the Fed notes that seasonally adjusted data for April and May suggest that Minnesota's non-farm employment grew at a below average rate with job losses greatest in the manufacturing and construction industries — where there is emerging evidence of some over-building, particularly in the office market.

Based upon their economic model the Fed economists predict that the state's economy will continue to track the national economy — with the local economy bouncing back in line with the nation in the current quarter.

While this forecast may look increasingly optimistic in view of the so far sluggish performance of the national economy and serious doubts about the farm sector's continuing problems, economists also note that several ambitious new job-creating projects have recently been announced including plans for a massive new $1.5bn commercial development in the Minneapolis suburb of Bloomington.

Currently, the Fed's economic model calls for Minnesota unemployment to remain relatively stable through next year while non-farm employment and income grow at 5.4 per cent, both slightly above the projected U.S. average.

Some private sector economists disagree, arguing that the Minnesota economy may, unusually, not keep pace with the national economy in the short-term — growing perhaps at only a 3 per cent rate over the next 12 months — held back by agriculture's problems.

But more fundamentally they share the belief that in the longer-term Minnesota's economy will remain rich and strong, fuelled by its basic food industry and cutting-edge high technology sectors. "We have both in Minnesota and I see a great future for them," says Dr Sohn with pronounced confidence. "In the longer-term I expect Minnesota to outpace the U.S. economy."

Among top ten states in terms of venture capital resources

Centre for the upper mid-West

Financial Services

PAUL TAYLOR

THE GLAMOROUS twin cities skyline tells the story. Minneapolis-St Paul is the undisputed financial and service centre for the vast American upper mid-West.

Built around the railhead and the Mississipi river, the twin cities have become an important crossroads and distribution centre for the capital, financing and back-up services that support the region's businesses.

Two of the nation's largest banking groups, First Bank System and Norwest, are headquartered here, as is the ninth Federal Reserve district. Within the twin cities some 40 other major banking groups have established a presence while local communities are served by hundreds of smaller banks and thrift institutions.

Meanwhile, the spawning of a wide range of high-technology, medical and other start-up companies has led to the creation of a sizable pool of local venture capital believed to total more than $100m, ranking Minnesota among the top 10 U.S. states in terms of venture capital resources.

Norwest's venture capital unit alone invests $20m a year in start-up companies, according to Mr David Jarvis, the banking group's chief financial officer.

Among other financial services groups some of the biggest U.S. insurance companies St Paul Companies, Northwestern National, Minnesota Mutual Life and the north-western regional office of Prudential, are based in the twin cities together with IDS, the insurance and personal financial planning group now owned by America Express.

IDS itself has over 2m accounts, employs 4,400 representatives and offers a wide range of financial products including investment certificates, 17 publicly offered mutual funds, life insurance ($13.8bn in force), annuities, unit investment trusts, and IRA accounts.

Minneapolis is also the home for fast-growing Piper Jaffray & Hopwood, the 46th largest U.S. securities firm with $44.7m in year-end capital and the 25th largest in terms of underwritings, and for Mr Irwin Jacobs' Minstar group, one of Wall Street's best-known corporate raiders.

Cargill, the largest privately held company in the world and a major player in the global commodity markets is based near the twin cities while the Minneapolis grain exchange claims to be the world's largest cash grain market and the St Paul union stockyards the largest livestock market.

Most of the major accounting firms and advertising agencies are represented in the twin cities together with legal firms like Robins, Zelle, Larson & Kaplan, the internationally renowned catastrophe loss firm of lawyers which is representing India in the Bhopal hearings, and Faegre & Benson which has grown to support an expanding corporate client base looking increasingly past regional and national borders for business.

Strategies change to meet new challenges

Banking

PAUL TAYLOR

THE MINNESOTA banking industry is in the midst of a period of substantial change. While the mid-West farming crisis has cast a long shadow over the banking sector—leading to credit problems at some banks and a few failures—restrictive state banking laws are under attack as part of a groundswell of strategic reassessment.

The big multi-bank holding companies—which serve much of the agrarian upper mid-west region along with the diverse economies of the twin cities and Minnesota — face major challenges but also tremendous opportunities. Fresh management teams at the two majors are mapping-out new and strikingly - different strategies aimed at capitalising upon the region's underlying strengths together with the opportunities presented by the increasingly deregulated U.S. banking environment.

Structurally, Minnesota's banking industry is fragmented —the product of state unit banking legislation which has severely restricted branching, leading to the emergence of two major multibank holding companies which — because of historical precedence — can operate across some state lines in the mid-West, together with hundreds of smaller independent local banks and thrifts.

But the industry is dominated by the two twin city giants, First Bank System, the nation's 14th largest banking group with $24.42bn in assets and 78 commercial banking units operating 148 offices in five states, and Norwest, the nation's 20th largest banking group with $20bn in assets and 81 commercial banking units operating 225 banking offices across seven states.

Within Minnesota the two majors together account for almost half the state's $31.4bn in total commercial bank deposits, spread among almost 600 generally deposit-rich individual banks and over 55 per cent of total assets. The four next largest banking groups in the state, Bank Shares Inc, Bremmer Financial, American Bancorporation and National City Bancorp, together have combined assets of less than $4.a and under 9 per cent of Minnesota's commercial bank deposits.

The performance, strategic direction and thrust of the two majors differs sharply although both offer a wide range of bank and banking-related services.

First Bank System has become one of the best performing and fastest growing major regional banking groups in the U.S. outpacing Norwest to become last year, for the first time, the biggest banking group in the twin cities.

In the first half this year, net earnings grew by 23 per cent to $78.9m and its return on equity moved up to 14.4 per cent. These gains came despite aggressive additions to loan loss reserves, additions which reflect the banking group's tough response to credit problems.

Non-performing loans total $496m or 2.03 per cent of total assets while the group's loan loss reserves have been pushed up to $203.9m or 1.49 per cent of total loans.

Loan write offs

First Bank System's direct exposure to the troubled agricultural sector represents only about 6 per cent of its total $13.7bn loan portfolio but when indirect loans are included the percentage rises to around 12 per cent.

Last year, agricultural loans write-offs accounted for 36 per cent of the group's total $80.9m write-offs which partly offset a sparkling performance by the System's two metropolitan division lead banks, First Bank Minneapolis and First Bank St Paul.

The key to First Bank System's strategy, says Mr Dennis Evans, the group's dynamic vice-chairman who takes over as president and chief operating officer next month, is "a real commitment to maximise shareholder value." Reflecting this the group has set a target return on equity of 18 per cent.

To achieve that goal the group is emphasising three markets. The "high-use" segment of the individual retail market —customers who use a lot of credit and fee-based services—medium-sized companies that do most of their business in the bank's expanding geographic territory, and community banks in what Mr Evans terms "regional trade centres"—the larger cities in the region.

Underpinning the group's strategy is First Bank System's plan to become the leading regional bank in the north-west quadrant of the U.S. "We want to be one of the premier regional bank holding companies in the U.S.," says Mr DeWalt Ankeny, who takes over as chairman on November 1.

In order to achieve this the group is eying acquisition prospects outside the twin cities and five states area and lobbying hard for changes in legislation which would allow it to extend even further across state lines. But whether existing interstate barriers will drop anytime soon is a moot point in the upper mid-West.

None of the major plains—states have passed reciprocal banking legislation yet — and local feeling against "the big banks from Minneapolis" runs as high as ever. In Minnesota itself, although reciprocal banking legislation has been introduced and is backed by the Governor as a job creation initiative, even its proponents admit it may "take time to push it through."

In contrast, Norwest Bank's new management team, while it supports moves towards broader interstate banking, places a higher priority on easing existing Minnesota branching restrictions which restrict a bank to operating two branch offices within 25 miles.

Norwest is in the midst of a consolidation period, battling under a new management to come to grips with credit loan problems and recover from difficulties with its mortgage servicing unit. The banking group ranks as one of the nation's largest agricultural lenders with a $1bn agricultural loan portfolio, a third of which, according to Mr David Jarvis, chief financial officer, are non-performing.

In total, Norwest's $554.9m non-performing loans represent over 4 per cent of the group's $13.5bn loan portfolio and a sizeable drag on earnings.

First half net earnings fell by 11.5 per cent to $58.6bn after a 44.5 per cent drop in 1984 full-year earnings to $69.5m. As a result, Norwest's earnings per share slipped to just 10 per cent in the first half.

But Norwest is fighting back under its new chairman, Mr Lloyd Johnson, a former Security Pacific banker who took over as chief executive earlier this year

Under Mr Johnson, a native Minnesotian, Norwest has moved quickly to sell its problem mortgage servicing unit and scaled back its international operations—including the sale of Luxembourg-based Northwest American Bank (Noram).

Mr Johnson, whose arrival led to the departure of several senior Norwest executives, but who insists that "Norwest has an enormous depth of capability, real size and staying power" has almost completed building a new management team while aggressively addressing credit problems and actively attempting to "work out" loan problems with farm borrowers.

In the banking group, he has pushed up loan loss provisions while continuing an aggressive charge-off policy. As a result Norwest's $270.3m loan loss provision, representing 2 per cent of loans and leases, is now one of the highest among major U.S. banking groups. "This reflects our conservative posture in difficult business conditions," he says.

Strategy

In terms of Norwest's strategy Mr Johnson and other Norwest executives say that the group will emphasise its "customer orientated" basic retail and middle market corporate banking business and lending to major corporations while continuing to increase its nationwide consumer finance and leasing operations.

Like its twin cities Arch-rival, Mr Jarvis says Norwest is actively seeking to centralise back room operations among its member banks — moves which Mr Jarvis claims will result in substantial savings on its $800m-a-year in non-interest expense.

Such moves may begin to improve Norwest's bottom line performance, but Wall Street believes the group, like many of its smaller counterparts in the region, may have to wait on a significant improvement in the agricultural economy and in commodity prices in order to achieve a real turnaround—and there are few who expect that to happen anytime soon.

So far this year a record four small agricultural commercial banks have failed, and the number is expected to grow with about 30 rural banks across the state currently considered at risk. But, despite the gloomy headlines, the local commercial banking system has generally managed to remain remarkably sound.

While farm credit problems will probably dog many Minnesota banks, earnings for some time, commercial bankers believe the agricultural tide will eventually turn, making farm lending a good business to be in once again. When that happens they argue they will be stronger as a result of facing up to the challenges the farming crisis has presented.

MINNESOTA 3

State shows strong entrepreneurial spirit

Constant search for new products

Industry

TERRY DODSWORTH

THE STORY of Minnesota Mining and Manufacturing, the company known to investors all over the world today as 3M, says a lot about the development of Minnesota's industry.

Just over 80 years ago, the group started in the northern mining belt to take advantage of abrasive stone deposits. The stone proved to be a disastrous investment. But 3M, after a transplantation to St Paul, moved on to sandpaper production, then into adhesive tapes, and today has an empire spanning products from digital sound recording to agricultural chemicals and X-ray films.

Growth at 3M has meant constant adaptation, a relatively high level of research and development expenditure, and a readiness to tackle new markets, both in the U.S. and overseas—about 40 per cent of its sales are generated outside America, only 34 years after the decision to go international.

These are constant themes in Minnesota's industrial development, particularly in the high technology industries that have sprung up so vigorously in the Minneapolis area in the post-war era.

Indeed, Minnesota in many ways demonstrates a Japanese-like determination to create advantages where it has none. The state's original economic base was in agriculture, lumber and iron ore mining.

These strengths are still reflected in some of its large corporations. But many others, like 3M, have moved on to activities for which the mid-Western location is a question of habit rather than necessity.

When asked why the state—and more particularly the Minneapolis-St Paul conurbation — houses so many large companies, Mr Lewis Lehr, chairman of 3M, has a simple answer. Ever since the opening up of the prairies, he says, Minneapolis has generated surplus capital through the grain trade. Investors in the city have proved adept at recycling the capital into new ventures.

The one area the money did not go was heavy manufacturing, partly because steel and the motor industry established themselves closer to the large Eastern markets when Minnesota was still a small pioneering state. Apart from that omission, the state has a broadly diversified base, ranging from food products companies to computers, packaging, transport, insurance, medical equipment, and retailing.

Even the companies that clearly owe their origins to Minnesota's raw materials have often, like 3M, moved far away from this base into more sophisticated products.

Pentair, the paper manufacturer, for example, has grown rapidly by concentrating on glossy paper production. Deluxe Check Printers has become the largest cheque printing company in the U.S., with more than 50 per cent of the market, and is now moving into plastic cards and computer paper.

Bemis has diversified from adhesives to pre-sensitised printing plates, and Jostens has carved out a curious niche for itself in achievement awards—academic year books, medallions and so forth.

In the service sectors, the state has spawned Dayton Hudson, one of the largest retailing companies in the U.S., Super Valu Stores, the nation's biggest food wholesaler, a clutch of insurance companies and two airlines, Northwest—now the biggest U.S. carrier on the Pacific run—and Republic.

The state is also the home of Gelco, a vehicle fleet leasing and management company that started only 28 years ago, and has now grown into one of the largest companies of its kind in the world.

Minnesotans attribute the ability of the area to keep regenerating its capital to an entrepreneurial spirit which derives from its cultural roots. However difficult it might be to substantiate this theory, it is true that the state has constantly thrown up unconventional individuals, both in politics and business.

The computer sector is a case in point. Control Data and Cray Research have both been created by genuine visionaries who wanted to set themselves apart from the herd. Similarly, dynamic new companies now seem to be emerging in the medical field.

These new industries are needed to help take up the slack which looks like continuing for some time to come in traditional areas. Although the wood-related sector has begun to revive in recent years, the northern iron range, once a seemingly inexhaustible money-spinner, is in a sorry state, and agriculture is likely to shed some of its workforce. The state's future will depend upon its ability to maintain its enviable record of adaptability.

Land of sky-tinted waters

THE NAME Minnesota is derived from the Dakota Indian word for "sky-tinted waters," and the state has water in abundance. Seen from the air, the most striking feature of the landscape is the lakes—10,000 of them in all, scattered everywhere in a patchwork of glinting water.

Until the 1980s, Minnesota had made only a mild attempt to exploit these resources for tourism. More recently, however, it has geared up its promotional effort on the grounds that tourism requires little in the way of capital to develop, while generating a relatively high return on investment.

From spending only around $1m a year on selling the state in the late 1970s, the promotional budget, mainly spent on attracting visitors from other mid-Western states, has risen to $5.2m. The money appears to have had a sizable impact. Only two years ago, tourists were calculated to have spent about $4.4bn. This year their expenditure is expected to reach $5bn, of which $230m goes directly to the state from sales taxes. Around 100,000 Minnesotans are employed directly in the tourist industry.

The main attractions — canoeing, boating, fishing—lie in the sparsely-populated north of the state, where there are still areas almost as wild and untouched as when the first French fur traders penetrated them around 300 years ago.

Today, the development of tourism in this area has become even more urgent because of the economic decline of the local mining industry and the consequent rise in unemployment.

Terry Dodsworth

Farmers feel the pinch

MINNESOTA WAS first opened up to settlement by white Americans in the 1830s, when the lumber companies poured into the region to plunder the forests of white and Norway pine. Only 20 years later, the farmers came flooding in on the timbermen's footsteps, and within another 30 years or so, a further wave of settlers arrived to purloin the rich iron ore depsosits of the north.

These three industries provided the backbone for the Minnesotan economy until the rise of a strong industrial sector after World War Two. Even today, they represent a large proportion of the state's income, with agriculture ranked as the most important activity, and forest products around third, depending on how the figures are computed. But all three industries have suffered setbacks in the post-war era.

The hardest hit is unquestionably the iron ore mining industry, once the most prosperous in the world. The wealth of the iron range stretching out westwards from the port of Duluth on Lake Superior is the stuff of legends.

It used to be said that the ore was so pure it could be virtually welded as it came out of the ground. Most of it lay so close to the surface that it was easily extracted from huge open cast mines, and until the deposits were finally exhausted in the 1960s, about 60 per cent of all the ore used in the U.S. had come from them.

Duluth is graced with scores of lakeside mansions built by a community grown fat on iron.

The mines were given a new lease of life by the development of the taconite or process, in which lower-grade rock is crushed and iron drawn out of the powder with magnets. The

Raw materials and agriculture

TERRY DODSWORTH

technique was first brought successfully into production in Minnesota, but enjoyed only a brief period of success in the 1960s and 1970s before low-cost foreign steel began to make increasing inroads into the U.S. Today, about half of the 15,000 labour force based on the range is out of work.

The wood products sector has gone through similar periods of decline in the past, but is enjoying something of a comeback today with the establishment of a stable high-quality paper industry and the development of new techniques to exploit the native timber.

Again, Minnesota has provided much of the technology that has gone into reviving the industry, mainly in the development of two processes — a method of making composite boards (called waferboards) from aspen, and a technique for pressing wood and residue into fuel logs.

Some further investment is also being made in high-quality paper production. Several leading U.S. wood products companies are active in the state, including Boise Cascade and St Regis, and further investments are pending from Louisiana Pacific, Blandin and Pentair.

With these programmes, Mr Alexander believes that employment in the $3bn industry, now standing at around 50,000, can be maintained. "We believe that our forest resources can be continuously replenished at our present rate of cutting," he said.

By contrast, Minnesota's farmers are suffering like the rest of the U.S. farming community as agriculture struggles through its worst slump since the great depression. Despite the development of a mixed economy in the state, farming remains a premier industry because of the broad band of fertile soil deposited in the glacial period across the south and west of the state.

This soil has turned Minnesota into one of the U.S.'s leading milk producers, the nation's second largest cheese manufacturer, and the fifth largest exporter of agricultural produce. Only four states have more planted acres than Minnesota, and it ranks among the second or third biggest corn and wheat producers, while vying with California as the leading sugar beet grower.

The slump in agriculture, however, has had a devastating effect on farm incomes. The average net earnings per farmer in the state fell from $12,480 in 1978 to $8,575 last year.

Many farmers are now caught in a classic cash flow squeeze as their income dips inexorably below their outgoings to service debt taken on in the good times. Land prices are sliding down alongside profits, reducing the collateral which might be used to take our additional loans.

It is crystal clear that the crisis poses a serious challenge to the independent family farmers, and with it to a group of rural voters who are commonly attributed with providing much of the backbone to the state's robust Democratic traditions.

Paul Taylor explains why Minneapolis sees itself as the super-computer capital of the world

In forefront of technical joint ventures

High-tech

MINNESOTIANS are understandably proud of their heritage. After all Minneapolis is justifiably nicknamed "the super-computer capital of the world."

Two of the world's largest *mainframe computer makers*, Control Data (CDC) and Honeywell, have headquarters in the state, two more, Sperry and International Business Machines (IBM), have major facilities in Minnesota, and Cray Research, the world's leading supercomputer maker, is based here after being spun off from CDC by Seymore Cray in 1972.

While other local companies have diversified into high technology areas like 3M with laser-based information storage systems, the state has also proved a powerful magnet for investments by out of state high-tech firms. Aside from IBM and Sperry, which employ *20,000* workers in Minnesota, other companies with major Minnesota facilities include NCR Comten, CPI and Canada's Northern Telecom.

At the same time the world reknowned Mayo Clinic and other medical research facilities in the state, together with medical equipment pathblazers like Medtronics, have helped spawn the hundreds of mainly small advanced medical equipment companies that populate Minnesota's "Medical Alley." Thus the *state regularly ranks among* the top listed in the U.S. for innovative start-up firms like Immuno Nuclear and medical-technology venture capital groups like Medventure.

Some indication of the depth, scale and range of these advanced technology companies is given by Minnesota's Corporate Report magazine. In its latest issue the magazine ranked the top 100 high-tech companies from 3M to the 100th largest, *Community Electronics* Corp, an electronics sub-assembly manufacturer with sales of $2m last year.

The magazine's *survey* revealed, among other things, that 17 companies were new to the list this year, 41 per cent are private, 53 are traded on over-the-counter markets, 16 had revenues of over $50m a year, 27 were founded within the last decade and only 14 had more than 1,000 employees.

The emergence of *this* group of high technology companies—attracted by the innovative environment, business climate and educational standards *of* the twin cities area — is a key factor in explaining the performance of the local economy.

In turn they, and visionary local business leaders like *William Norris of* CDC, have helped push Minnesota into the forefront of co-operative technical joint ventures and ensure *that business, local* government and educational establishments like the University of Minnesota work together to maintain the state's much envied high-tech *reputation*.

Among the outgrowths of this private sector-public partnership are institutions like *Minnesota Wellspring*, Minnesota Business Partnership and the Minnesota High Technology Council whose broad aims are to stimulate the local economy through job creation, co-ordinate economic policies and promote technical education.

Other local *initiatives* include venture capital, management assistance and support groups like Minnesota Seed Capital Fund and Minnesota Co-operation Office.

Some projects, like the microelectronics and information centre (MEIS) have become models for similiar innovative programmes *elsewhere*. MEIS was set up in 1980-81 after a handful of the largest local technology groups joined the University of Minnesota's Institute of Technology to form the project—a bold inter-disciplinary post-graduate research programme run by Dr Martha Russell, associate director, *aimed at furthering advanced* technology research, creating new scientists and engineers and technology transfer between the public and private sectors.

MEIS has itself spawned similar projects like the super computer institute, which is in the process of building a huge new facility *in downtown Minneapolis, the* corrosion research centre, biotechnology centre, magnetic *information centre* and productivity centre.

These projects underline *Minnesota's* commitment to maintain its high-tech leadership in the face of growing competition from other areas for, as one *local businessman* notes, "These days every city and state is going after the high-tech business."

"The advanced technology sector is crucially important to the Minnesota economy, *and in particular for job* creation. The 'big three' technology groups, 3M Honeywell and Control Data, alone employ over 235,000, although not all are engaged in high technology work.

Even though *high* technology companies have helped replace jobs lost in other industries like agriculture and mining, the sector has recently shown that it is not immune to cyclical downturns. Recently many local computer groups have been suffering as a result of *flagging* demand and the general weakness *of the U.S.* market.

At the same time health care and medical equipment manufactures have suffered as a result of private and public sector *cost-cutting* and containment programmes.

This cyclical downturn, coupled with new domestic and foreign competition, creates a new challenge for the Minnesota advanced technology sector, local government, educators and financial backers—one of which is now being addressed.

Home of many small companies

Computer sector

WHEN Nebraskan-born William C. Norris looked around in the immediate post-war years for a home and financing for his new computer company he ended up choosing Minneapolis.

The company he helped found, Engineering Research Associates (ERA) was later merged into Sperry Rand where *Mr Norris* headed the group's Univac computer division until 1957 when he left to set up Control Data Corporation (CDC).

Since then CDC has grown into one of the world's biggest *computer companies with total* revenues last year of $3.76bn. Equally importantly Mr Norris, together with business leaders from other local computer groups like Honeywell and CDC spin-offs, Cray Research, have helped establish Minnesota's reputation as one of the leading computer and high technology centres in the world.

CDC is itself going through a difficult period of retrenchment hastened by the general downturn in the U.S. computer *industry. The group, which last* month was forced to cancel a $300m securities offering, has warned that it expected to post a net loss this year. Operating losses in its computer and computer peripherals business will more than offset earnings from its commercial credit financial services unit.

In response, the group is cutting costs and selling off certain assets in an attempt to return to strong financial health and raise desperately needed cash. Despite these problems, Mr Norris's impact on the industry, locally and nationally, is unquestioned.

He has steered his group into a wide range of other activities ranging from educational and training software to energy conservation and urban projects, creating a unique corporate culture at CDC in the process —a corporate culture which, perhaps echoing Minnesota itself, stresses "the long-term view" and the role of corporations in society.

At the same time, Mr Norris has become one of the industry's most outspoken critics — and visionaries. "Ever since CDC started I have been distressed by the needless and wasteful duplication of research and development," he says.

At a national level he campaigned for years for a joint *co-operative* R *and* D *programme*. The result was the famed Microelectronic and Computer Technology Company (MCC), formed two years ago, whose mission is to keep member companies like CDC, Honeywell and 19 others competitive with other U.S. and Japanese computer giants.

Locally he has championed *regional* joint venture R *and D* projects like the recently formed Mid-west Technology Development Institute (MTDI), which aims to make technology available to small businesses, and its *sister* for-profit organisation, the Mid-west Technology Trading Corporation (MTCC).

CDC and other local high-tech companies like Honeywell, the control instruments and computer systems giant, have also actively promoted university-based partnership projects like the Microelectronic and Information Sciences Centre (MEIS) and other university-based R and D projects.

Business leaders at CDC and other local computer companies have also been among the most ardent supporters of moves to reduce Minnesota's heavy tax burden—and in the local campaign for anti-takeover legislation.

The most immediately obvious contribution of these companies to the local economy is in terms of the jobs they have created, the strong educational environment they have fostered, and the start-up companies they have spun off or helped found.

CDC alone has spun off more than 70 small companies, most of which have stayed in the *local area*.

Perhaps the most famous is Cray Research, the supercomputer group founded by Seymore Cray in 1972. Since then Cray Research has grown into a $230m-a-year company with net earnings last year of $45.4m, up 74 per cent over the 1983 period.

Cray Research, which recently unveiled a *new generation of* supercomputers, the Cray-2, and now employs over 2,000 people, easily ranks as the world leader in supercomputer sales with about two-thirds of the installed base.

These machines are used for complex "number-crunching" operations like predicting the weather, analysing oil company's seismic reports and increasingly by engineers to help design complex structures like cars.

Mr John Rollwagen, Cray's chairman and chief executive, recognises that his company faces new competitive pressures from U.S. companies and overseas *in the future but he, and* industry analysts, believe these competitors are "three to five years behind."

As if to emphasise this point Mr Rollwagen says Cray began working on a new generation of supercomputers even before the Cray-2 was introduced in June.

In order to maintain its *competitiveness edge*, Cray, like other local computer groups, spends heavily on research and development — $100m in the last four years alone — and relies on a stream of new engineers and scientists emerging from the educational system.

Mr Rollwagen, like his colleagues in other Minnesota high-tech companies, cites local resources like the University of Minnesota together with the availability of venture capital and bank funding and a "strong local support system" for start up companies as key reasons *why Cray remains* in the area. He also adds that the twin-cities area offers another particular attraction — a steady workforce with a low turnover rate which "works hard and does good quality work."

Pioneers in health care technology

Medical Alley

MEDICAL ALLEY cuts a 300-mile diagonal swath across Minnesota playing host to over 300 medical technology and bio-medical businesses including some of the best-known in the world. Others are small, young *companies founded by scientists* and engineers who have left older-established groups to set up business, often in the modern single-storey industrial parks around the twin cities where about half of the medical technology companies are found.

The origins of Minnesota's medical alley date back almost 100 years to the founding of the *Mayo Clinic. Together with the* University of Minnesota and medical school, the Rochester-based Mayo Clinic has built a world-wide reputation for innovation.

The private clinic performed, among its many achievements, the first open heart surgery, developed the first total body X-ray *scaner and has* become known as the world's most successful organ transplant centres.

The success of Medical Alley's companies also owes much to the state's reputation as a health conscious society and pioneer in health care. For example, Minnesota was the cradle and test-bed for the *rapidly expanding* Health Maintenance Organisation (HMO) movement in the U.S., which is transforming the medical care payment system. Today over 40 per cent of Minnesota workers are covered by HMOs, more than anywhere else in the U.S.

According to state figures, healthcare is now Minnesota's second largest industry with annual revenues of over $4.5bn, just behind agriculture. Of that total more than $2bn comes from the state's hospitals and healthcare institutions; $1.6bn medical manufacturing; $500m from HMO clinics and rehbilitation centres and $400m from private medical practices.

In the manufacturing sector the state's computer industry is still much larger than the medical products industry, but is growing more *slowly*.

Minnesota has already produced some of the giants of the medical equipment manufacturing business like Medtronic. The St Anthony-based group, which started in a Minneapolis *garage in 1957, has grown into* a $400m-a-year business designing and manufacturing medical devices, particularly implantable heart pacemakers where it has about 50 per cent of the world market.

In its latest fiscal year Medtronic, which now employs over 5,200 workers, reported net income of $46.8m and recently acquired Bitec, an Italian-based pacemaker manufacturer.

In turn, Medtronic's success has encouraged other innovaters and small start-up companies like Bio-Medicus which develops and manufactures blood pump systems, Starkey Laboratories, the world's largest hearing aid manufacturer—and supplier to President Reagan—and Lectec, a biomedical company which *manufactures medical products* including skin membranes and drug delivery systems.

Lectec's chairman, Le Berlin, a retired 3M vice-president for international marketing, is credited with coining the term Medical Alley and leads Governor Rudy Perpich's 28-member commission on medical technology.

Other Minnesota medical company include Genetic Laboratories, Immuno Nuclear, Aequitron Medical, Mentor, Scimed, Molecular Genetics, Osmonics adn Endrotronics — businesses with names that hint at their high-tech *promise*.

Local banks and venture capital companies have provided a crucial financial springboard for many of these start-up companies. In the health care field groups like Minneapolis-based *Medventure have spawned innovative* health care companies such as Comed. Medventure's Comed subsidiary, set up just last year, is building free-standing diagnostic centres in shopping malls.

"We expect to have six of them open in Minnesota in the next few months," says Brian Dunn, president of both Medventure and Comed, who is aiming to open 300 of the centres, nationally and internationally, within three years.

Minnesota's medical and bio-medical companies have also attracted foreign investment. For example British-based Huntingdon International recently acquired two local businesses, Twin City Testing and Engineering Laboratory, and Soil Exploration Company of St. Paul.

Minnesotans still joke that Medical Alley is the *state's* "best kept secret." But they are aiming to change that and make Minnesota's Medical Alley *as well-known* as *California's* Silicon Valley or Boston's Route 128.

The governors' commission on medical technology was the catalyst for the formation a year ago of the Medical Alley Association *comprising over 100 local* healthcare industry representatives dedicated to promoting the state as a leader and innovator in the health care industry.

As part of its plans the association has put together a directory of business and is planning to transform half of the proposed world trade centre in St. Paul, *scheduled to be completed* in a decade, into an exhibition and seminar centre for the Minnesota medical technology, healthcare products and services industry.

THE PROPERTY MARKET BY WILLIAM COCHRANE

Silicon Valley comes to Swindon

"YOU won't stop the growth of Silicon Valley" says Klaus Kramer. "Manufacturing is moving out because the assembly worker can't afford to live here any more; but you find the best engineers in the world in this area."

Mr Kramer is director of corporate construction, real estate and facilities planning at Rolm Corporation, a leading U.S. supplier of business communications systems and now a subsidiary of IBM.

His company occupies 1m sq ft in Santa Clara County, California, in which the bulk of Silicon Valley is located; it has other manufacturing and product development locations at the San Jose end of the Valley (450,000 sq ft), Colorado Springs (200,000 sq ft) and Austin, Texas (100,000 sq ft of leased space).

Silicon Valley is renowned for its boom-bust economic cycles, and has suffered three slumps in the last decade alone. There has been a net loss of 6,100 jobs since the industry peaked at the end of last year and more than 20,000 additional workers are currently feeling the effects of mandatory unpaid vacations and reduced work-weeks.

"Space is coming out of everyone's ears," says Mr Kramer, translating the employment situation into property terms. "Silicon Valley is tremendously overbuilt; people were anticipating changes in tax law and some developers have been hurt."

The industry will benefit from a cyclical upswing and companies will continue to keep their research and development operations in the Valley. The number of assembly workers may have fallen, as manufacturing moves elsewhere, but an influx of more highly paid engineers will more than make up for that.

The type of work conditions demanded by staff of this calibre, he says, is likely to keep up the pressure on employers for better working facilities.

Rolm's main facility in Santa Clara is at 4900 Old Ironsides Drive, 800,000 sq ft on a 43-acre site with 15 per cent of the space devoted to manufacturing, 60 per cent to engineering and research and development, and the remainder to general administration, marketing and support functions.

The company is renowned for looking after its employees. It has recreational space of around 8,000 sq ft in the development. The recreational facility includes a swimming pool, a jacuzzi, an exercise pool, a very expensive gymnasium, an exercise room for aerobics, volley ball and racket-ball, tennis and table tennis facilities and so on.

Mr Kramer sees this as enlightened self-interst. "If you're a good engineer you can work anywhere you want," he says. "What do you want, 50 cents more an hour or a good environment? Very few people," he answers himself, "look for that extra 50 cents."

This trend for better working conditions is crossing the Atlantic. Rolm has between 40 and 50 British engineers working at Santa Clara at the moment. They came out, with their families, to be trained as the nucleus of the company's European headquarters which will be based at Wooton Basset, Swindon.

The Swindon facility, a European headquarters combining engineering, r & d and assembly, will begin operations with 150,000 sq ft in the spring of 1988. ROLM has room for 400,000 sq ft on the site, which it bought from Bradleys, and an option on another piece of land.

"We would have liked to go to Bath," says Mr Kramer, "but Swindon was the only place where we could lease 25,000 sq ft for temporary start-up facility."

Competition for prime Kowloon site

A CONSORTIUM including Sing Tao newspaper group and Impala Pacific, both Australian-controlled, yesterday confirmed the steady strengthening of the Hong Kong property market when it paid HK$636m (US$81.6m) for a prime site in the centre of Kowloon.

The purchase was thought yesterday to signify the return to Hong Kong of Miss Sally Aw Sian, the Tiger Balm heiress who for many years controlled two Chinese newspapers and one English-language paper in Hong Kong through Sing Tao. Miss Aw shifted her family fortune to Australia in May in a complex A$45m (US$31.4m) deal.

In the first major land auction to be held in the territory since the establishment of the Sino-British Land Commission, only two bidders were active against the Australian consortium in what many had expected to be a flamboyant contest. The contest was primarily between Scilla, the shell company used as the vehicle for Sing Tao and Impala, and the leading local property group, Hongkong and Kowloon Wharf and Godown Company.

The site up for auction, almost 70,000 sq ft on Canton Road close to Hong Kong's Star Ferry, is the last prime site available in Tsim Sha Tsui in Kowloon. It can be used for offices, a hotel, or flats. Office space is already in short supply in the area, and the shortage is not expected to be relieved before 1990.

Scilla, which had bid anonymously for the site, yesterday refused to disclose the identities of other members of the consortium.

Kowloon Wharf's keen interest was no surprise to local property analysts, since it owns and operates the majority of prime properties adjoining the site. Bidding began at HK$425m.

DAVID DODWELL

Computer tells a sad story

NO MATTER how you measure it, the property sector's performance seems to leave something to be desired.

The WM Computer Services/Richard Ellis property performance service (the WM originating from stockbrokers Wood Mackenzie) measures 2,790 individual properties worth £5.9bn, constructed from 53 separate property portfolios, with 18 firms of chartered surveyors and nine institutional teams providing the valuation information.

But two of the key themes emerging from the six years of this service are, first, relatively disappointing returns at the total portfolio level; and, secondly, that new money flowing into property has slowed substantially, almost to zero.

Over the six years to end-March 1985, total returns in property have amounted to 12 per cent per annum; against 10 per cent for the retail price index over the period. "However," say the team, "compared to other types of investment" (UK equities rising by 22 per cent a year, overseas equities by 19 per cent, fixed interest cash and other investments by 14 per cent) "there has been a short term cost associated with property investment."

Property developments have performed well with an annual return of 15 per cent.

Land Securities tests the water

LAND Securities is not in the habit of going for planning permission before it owns a site: but the tenders for the General Post Office building on St Martin's le Grand, north of St Pauls in the City of London, will have to be unconditional when they are submitted by November 29.

Lands wants to demolish the building. The City planners may wel be opposed; the Post Office already has planning permission for a rebuild inside the walls of the building. It remains to be seen if there is enough time, or inclination on the City's part for Lands' application to be processed.

● UK financial institutions invested £492m in land and property in the second quarter of 1985, up 26 per cent on the previous three months and the best figure for nearly three years. Knight Frank & Rutley comment that the improving letting markets, particularly in the Central London and Home Counties office markets, are drawing discerning investers back into the market.

● City of London surveys abound, Savills majoring on demand for larger office units and Richard Saunders and Partners still talking of declining availability of space.

● Stock Conversion's programme of active, and highly visible management continues with the news of new lease terms at its Gloucester Trading Estate with three of its present major tenants, Lucas Industries and subsidiaries of Hawker Siddeley and RTZ.

Jonathan Lane, joint managing director, comments: "We are currently awaiting the grant of planning consent on 170 acres adjoining the existing trading estate, which will allow us to sider the creation of a new business park catering for the requirements of major growth industries. . . ."

Debenham Tewson & Chinnocks acted for Stock Conversion throughout the lease negotiations and are also advising on the development.

● Associated British Foods is to expand its "Food for Courts" operation which is already successfully trading in the award-winning Cameron Toll shopping centre in Edinburgh. It is currently negotiating fast food accommodation in several schemes and requires a gross area of approximately 12,000 sq ft in a prominent location, says Morgan Grenfell Laurie which is acting on behalf of AB Foods.

Sweet and sour in Australia

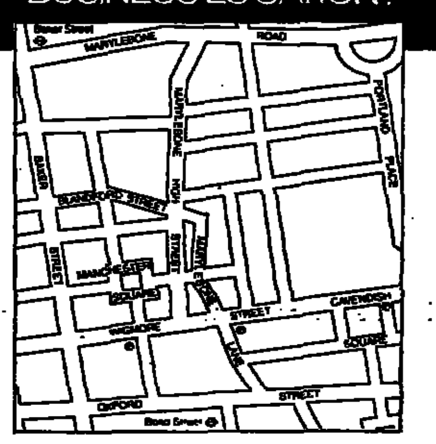
THERE IS good and bad news about Australian property according to Jones Lang Wootton.

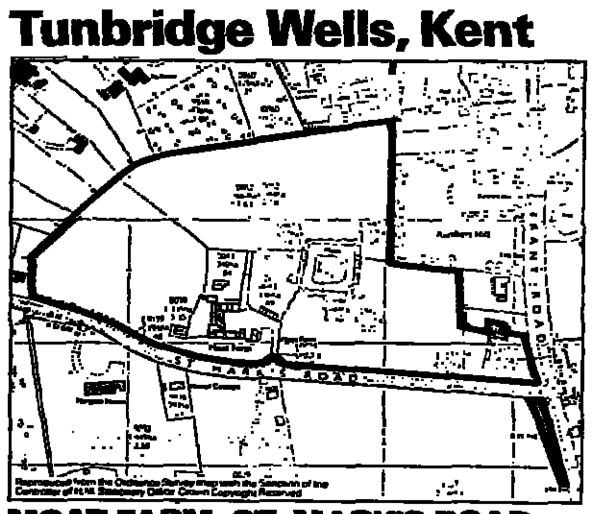
On the strictly positive side, developers have been active and a strong investment market sustained in Australia over the past twelve months. Most property sectors have moved away from the oversupply which persisted through the 1970s and very early 1980s, say JLW, to an undersupplied or balanced market over the last two years.

Continued deregulation of banking and finance has been a factor influencing office space demand and this will continue, they say; meanwhile strong economic growth, moderating inflation and high capital investment will sustain demand in both the industrial and the office markets.

However, says the firm, some realignment of investment priorities may occur over the next twelve months as the Australian government's new taxation policies are brought into legislative force. A capital gains tax at the rate of 49 cents in the dollar will apply to realised gains above an inflation-indexed base in relation to all investments acquired after September 19, 1985.

These measures have created a "wait and see" attitude in the market. But property's investment status should not sustain long term damage, according to JLW.





TECHNOLOGY

EDITED BY ALAN CANE

Intel and Texas Instruments have promising new products but formidable development costs to recoup, writes **Louise Kehoe**

Shaft of light in U.S. chip makers' gloom

THE BEST times and the worst were compressed into a single week for U.S. chip makers this month. Last Tuesday's announcement by Texas Instruments of its local area network chip set, and Intel's on Wednesday of its new 32-bit microprocessor each represented new highs in U.S. integrated circuit technology achievements.

But the industry's morale hit an all-time low when Mostek, the eighth largest U.S. chip maker, shut its doors on Thursday.

Announcing the Intel 386 microprocessor in San Francisco last week, Mr Dave House, head of Intel's microcomputer group, predicted that it will become his company's most successful product. The design is, he claimed, "a work of art that will become recognised as a masterpiece."

Texas, characteristically less flamboyant, called the local area network (LAN) chip set a "major strategic product that represents a good opportunity for us."

These new chip designs will have a big impact on their manufacturers, the entire electronics industry and, eventually, on the consumer. The addition of these latest offerings to the lexicon of building blocks available to electronics designers is akin to adding a set of wheels to a child's construction set. Suddenly, the range of possible projects is increased enormously.

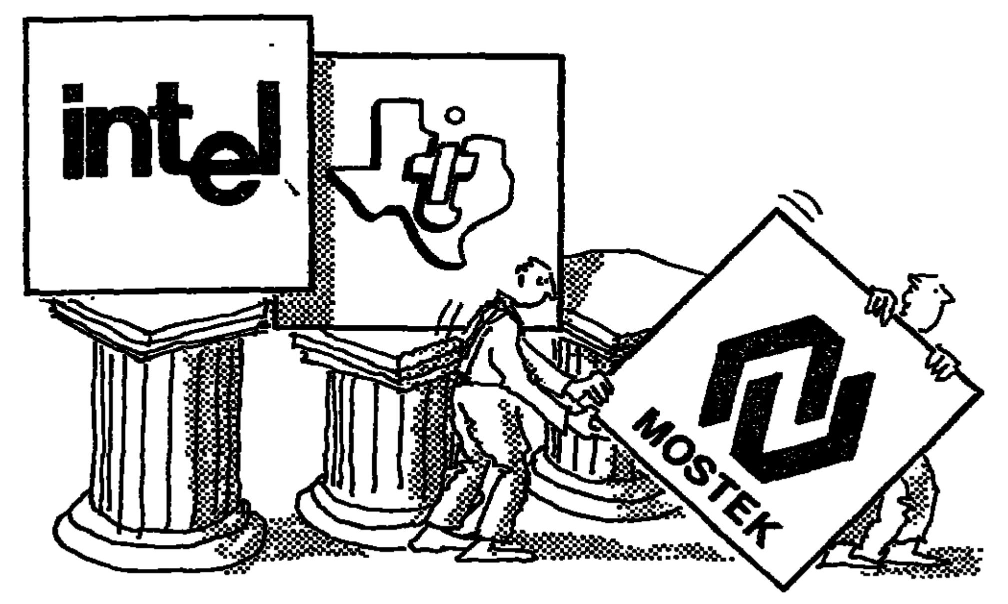
The Intel chip holds the promise of truly easy-to-use computers, while the Texas Instruments chip set could set a standard for how computers "talk" to each other.

Both represent enormous opportunities for electronics manufacturers. The Intel chip set is widely expected to become the standard "brain" of a new generation of personal computers. Although most early applications will be in scientific and engineering systems, the Intel 386 is destined to inherit the personal computer base established by current Intel microprocessor products in IBM and compatible machines.

Already 30 companies are designing systems around the 386, Intel claims. Among those it named is Compaq, the compatible personal computer maker. IBM said: "While the use of the 386 in an IBM PC product is not expected in the immediate future, we look forward to exploring its potential." Industry experts take that to mean: "We are designing a new PC around it but we don't want you to stop buying our existing PCs."

The Texas Instruments LAN chips may be used to hook myriad computers and add-on equipment onto a standard communications medium, creating new and expanded markets for computer equipment and bringing closer the day when computers, like telephones, may become standard home and office equipment, linked on public and private networks.

For beleaguered U.S. chip makers, these products represent a way out of the market doldrums that have left them stranded for the past 18 months. While it will be some time before either company will sell enough of the new products to have a significant effect upon earnings, the release of these powerful chips is expected to invigorate the market as equipment companies move to design products around them. And while sales of the new chips may be relatively small, the profits to be made from each of these sales is much much higher than that to be gained from the sale of thousands of commodity parts.



Significantly, the U.S. companies' announcements confirm that in the realms of "design-intensive" chips they reign supreme over Japanese and other contenders. While this will not solve the U.S.-Japanese electronics trade problem, it is a source of immense pride and confidence booster for U.S. companies. As long as they can hold onto their chip design lead, they are assured of a future, albeit as a shrunken version of what they once aimed to become.

While representing what Intel called the best news in 15 months for the U.S. semiconductor industry, the arrival of these complex devices also illustrates the industry's fundamental problems.

It cost Intel $100m to design and develop its 386 32-bit microprocessor. Sales of 32-bit microprocessors between now and the end of the decade are expected to total about $400m. By 1990, 32-bit micro prices are expected to stand at about $40 a piece. To recoup its investment, Intel must acquire close to half of the projected market.

Texas Instruments has not revealed how much it cost to design its LAN chip set. The project began in 1982 under an agreement with IBM, whose networking standard is embodied in the TI chips. Industry analysts have speculated that IBM may have shared the chip development costs, which are estimated to be of the order of $50m.

Given the intense trade friction between the U.S. and Japan, it is hardly surprising that U.S. chip manufacturers aim to reap the maximum possible competitive advantage from their new products.

For Intel, this may mean a radical change in marketing strategy for its new microprocessor. The company is debating the possibility of not licensing a Japanese company to manufacture the 386. For too long, Intel and other U.S. companies have spent heavily on product development only to see foreign competitors share in the benefits, they feel.

Every other commercial microprocessor to date has had multiple "second sources," normally including European, Japanese and U.S. concerns. Any departure from this arrangement would have serious consequences for semiconductor companies the world over. If other companies are not to have access to the Intel 32-bit microprocessor design, they must either ally themselves with Intel competitors such as National Semiconductor or Motorola, or design their own chips—at huge costs.

While that might appear to create the "fair play" that U.S. firms say they want, it would also create more competition, which they do not want. Without a Japanese second source, Intel might also find it harder to establish the 386 as a standard in computer design. In this respect, Intel has a huge advantage because IBM is already committed to Intel's microprocessor architecture.

Whether Intel will have the courage to do without a Japanese licensee remains to be seen. The company has suffered badly in the past as Japanese manufacturers have wiped out its export sales with "copies" of its microprocessors. Intel and NEC, the big Japanese electrical concern, are currently embroiled in a round of law suits about NEC's alleged abuse of copyrighted microcode for Intel microprocessors. Intel has also seen its Japanese sales disappear when licensed second Japanese sources start production.

Second source agreements carry a price, points out Mr Andrew Grove, Intel's president. If Intel does finally license a Japanese company to manufacture the 386 chip, the price which it will try to extract may be unusually high.

For its part, Texas Instruments is negotiating with potential licensees for its chip set. None of them is Japanese. With its own manufacturing capability in Japan, TI does not currently see the need for an external source, says Mr John Huges, project manager for the Lan chip set.

The excitement engendered by Intel and Texas Instruments was quickly dampened by the news of Mostek's demise. Ten years ago, Mostek was the company rushing the limits of semiconductor technology. With chips such as the 4K RAM, and later the 16K RAM, Mostek created "cheap memory"—devices that made the concept of a personal computer possible. In the end, the memory chips became too cheap for Mostek to stay in business.

Automatic solvent extraction

A control system which automatically recovers solvents from laboratory processes is on sale from Chemie and Filter of Burton-on-Trent, Staffordshire. The Duramat hardware can be used in processes such as distillation, de-gassing and drying.

The machine stores in its computer memory details such as boiling points about 99 solvents. The operator uses a terminal to select the solvent he wants to extract. The equipment then uses its inbuilt timer to determine the time it will take for the evacuation of the specific solvent.

Expert help on data law

Companies with problems about interpreting the Data Protection Act may be helped by a new expert system from a company in London called Intelligent Environments (01-930 2967).

The system, a set of programs which run on an IBM personal computer, provides advice about the type of data bases which fall within the scope of the Act. It aims to guide people with computer installations through the legislation's general requirements.

Cleaner for printer head

Action Computer Supplies of Brentford, Middlesex, is selling cleaning kits for clogged printer heads based on fibre sheets and special cleaning fluids. The fibre sheets are inserted into the printer as an ordinary paper sheet and the fluid applied to the printer head.

Package sales buck the upward trend

The UK's big software companies saw their revenues from software products level off last year, against a trend which had been expected to continue for the foreseeable future.

An annual survey undertaken by the UK Computing Services Association (CSA), the industry trade association, showed that software products took only 10 per cent of service companies' revenues in 1984-85 compared with 11 per cent the year before.

Software products — packaged and generalised computer programs such as payrole on accounts receivable for example, which can be sold to many companies to perform a broadly similar function had been the fastest growing sector of the computing services market.

Growth rates of more than 50 per cent had been recorded for the UK in 1983-84 and rates of between 35 per cent and 40 per cent for the U.S. and western Europe.

The growth trend had been expected to continue because of the increasingly high cost of developing tailor-made software and the economies of scale to be found in packages. The CSA notes: "It must be concluded that the smaller, generalised companies peaked in software products in 1983-84 and software products as a whole levelled out in 1984-85.

"Only 7 per cent of respondents reported an actual decline in billings from software products during the year and the very large companies obviously increased their sales of software products from a very small base. The decline of the smaller companies, however, in this previously rapid growth area, is a noteworthy trend."

U.S. figures seem to confirm this picture. Growth in revenues from packages slipped from 39 per cent in 1983 to only 30 per cent in 1984 and is still falling.

U.S. observers believe this decline mirrors the troubled times the U.S. electronics and computer industries are going through.

ALAN CANE

UK and Ireland 'best for a software base'

MORE THAN half the U.S. computer software companies which decided to establish a European presence chose the wrong site the first time round, according to a special survey by the U.S. consultancy Input.

About 30 per cent of respondents to the survey said they would choose a different location if they had to do it over again. A further 21 per cent had already moved from their original location.

"Considering the cost of such moves," Input notes, "it is easy to see that the extra effort to do the job right in the first place would have been easily justified."

The survey, commissioned by the Irish Industrial Development Authority, shows that on the basis of detailed analysis and weighted scoring, the United Kingdom and Ireland were the best choices for software companies planning to set up in Europe.

Third choice was West Germany, followed by France, Belgium and Italy. Cultural and language similarities make the UK and Ireland easy choices, Input says, but it points to five other important factors:

- Size of the local software market and proximity to other European markets.
- Availability of skilled personnel.
- Costs for accommodation and staff.
- Economic, health and tax consideration.
- Available incentives and openness to U.S. software and people.

The survey found that few respondents had foreseen the high cost of office space, unfavourable local laws or the need to increase the staff in their U.S. headquarters.

Input says the companies which found problems in setting up European operations were not necessarily young or naive, although well-managed companies like IBM had a better track record. "Lots of the problems could have been avoided with thorough investigation," says the report. "For example, high labour and real estate costs, unfavourable tax restrictions and the availability of qualified personnel are problems that are easily understood prior to making a selection."

The principal recommendation of the survey, which was written by Input consultant Mr C. M. Dishman, is that companies should develop a strategic plan, involving contributions from and the involvement of all the main sections in the company, not just the sales department.

"Marketing issues tend to push the locations nearest the best markets, which may not be the ideal locations for development and other support functions. Divide and conquer may be the best approach."

The Irish IDA sponsored the study as part of its long term strategy to attract software companies to Ireland.

FT COMMERCIAL LAW REPORTS

Compulsory order is no slur on liquidator

RE PALMER MARINE SURVEYS LTD
Chancery Division: Mr Justice Hoffmann: October 23 1985

WHEN DECIDING whether to override a voluntary winding-up with a compulsory order, one factor to be considered by the court is whether continuation of the voluntary winding-up would leave creditors with a strong and legitimate sense of grievance; and accordingly, if it appears that a company investigation is required, the creditors' anxiety to remove a liquidator chosen by the person whose conduct is under suspicion should be taken into account, though in fact there may be no reason for doubting his integrity or competence.

Mr Justice Hoffmann so held when making an order for the compulsory winding-up of Palmer Marine Surveys ("the company"), on the petition of McKees, trade creditor.

* * *

HIS LORDSHIP said that the petitioning creditor, McKees, traded as ships' manager in Great Yarmouth. It had claimed about £224,000 arrears of hire in respect of a vessel chartered by the company. Judgment for over £50,000 was obtained by default in January 1985 and, of the remainder, £140,000 was undisputed.

Two other creditors supported the winding-up petition, Inspectorate AEA, creditor for £209,000 and HM Customs and Excise, which was owed £3,700.

Three creditors gave notice of opposition. They were Palmer Consolidated, Palmer Surveys and Mistford. Palmer Concolidated had since been compulsorily wound up.

All three were connected with the company and each other. Palmer Consolidated, whose controlling shareholder and sole director was Mr John Davies, held one of the two issued shares in the company. Mr Davies held the other share in his own name, and was also sole director. Mistford was a subisidiary of Palmer Consolidated. Palmer Surveys was a shelf company, acquired by Mr Davies in April 1984, of which he was sole director.

The company commenced trading in October 1982, carrying out marine surveys under contract for the purpose of oil and gas exploration. Mr Davies said that at its inception it was obliged to undertake a large amount of capital expenditure.

In March 1984 McKees was pressing for overdue payments of hire. There was further default and a writ was issued early in the new year.

When it arrived, a decision was taken to cease trading and enter into voluntary winding-up. A similar business was now being carried on by Palmer Surveys at the company's former premises, with some of its equipment and former employees.

The meeting which resolved on a voluntary winding-up and which appointed a liqudator was, in effect, Mr Davies, since he held one of the two issued shares and controlled the other shareholder. The proposed liquidator was an accountant with considerable experience of liquidations. He had no previous contact with Mr Davies, who was recommended to him by financial consultants.

A meeting of creditors to approve the appointment was summoned. The notice said that proxies from creditors should be sent to the proposed liquidator's address at Walsall. That was a mistake because rule 154(2) of the Companies (Winding Up) Rules 1949 required that they be lodged at the company's registered office.

McKees posted its proxy to Walsall by recorded delivery on January 25. It arrived on January 29, the day for which the meeting had been called. It was out of time because proxies must be lodged by 4 pm the day before the meeting.

The creditors who were in time were Palmer Surveys, Palmer Consolidated, Mistford, 10 small creditors all of whom had given proxies to Mr Davies, and Inspectorate.

About 10 people including McKees' representative turned up at the meeting, claiming to represent creditors. Mr Davies presided and told everyone, except Inspectorate, to leave.

The meeting then proceeded with only Inspectorate represented. It proposed a different liquidator, but was outvoted by the 13 proxy votes held by Mr Davies. Those would have been sufficient to defeat the resolution even if the excluded creditors had been present. As a result the appointment was confirmed.

The statement of affairs was dire. Whatever might have been the large capital expenditure to to which Mr Davies referred, it had left no trace in the balance sheet. The bleak picture gave rise to some suspicion, which might turn out to be wrong, that assets had disappeared into other companies controlled by Mr Davies.

McKees felt it had not been fairly treated over the creditors' meeting and petitioned for compulsory winding-up. Before the hearing Inspectorate had unsuccessfully applied for the liquidator's removal on the ground that Mr Davies had shown extreme anxiety to secure his appointment, and in consequence he did not enjoy the confidence of Inspectorate and other creditors.

On the hearing of the petition, leave was given for five opposing creditors to be added. An application by McKees for an adjournment to enable it to investigate their relationship with Mr Davies and his companies was refused. Such an inquiry did not seem to warrant the additional time and expense, but there was material in the evidence to explain why McKees should wish to scrutinise their status.

In return for a cheque for £116 tendered by Palmer Surveys and signed by Mr Davies in payment of a debt owed by the company, a travel firm had been asked to sign a form stating that as creditor for £116, it intended to appear at the hearing of the petition and to oppose it.

Mr Davies must have known that the firm was not a creditor and the discovery of his method of enlarging the forces of opposition could only have aggravated the suspicions already entertained by the petitioning and supporting creditors.

Section 517 of the Companies Act 1985 gave the court power to wind up a company which was unable to pay its debts, and section 645 provided that in exercising that power it might have regard to the wishes of creditors as proved by sufficient evidence. If the wishes of creditors were to be taken into account, regard must be had to the value of their debts.

Those provisions gave the court a discretion which was unfettered but which must be exercised judicially and not arbitrarily. *Re JD Swain [1965] 1 WLR 909* showed that where a voluntary winding-up had commenced before presentation of the petition and a majority of creditors by value wished it to continue the court would ordinarily require some good reason to override their wishes and make a compulsory order.

Even if creditors in favour of continuance of the voluntary liquidation were a minority in value, the court might refuse a compulsory order if there appeared to be no advantage to creditors in making one. It might also take into account the possible motives of the creditors in making their choice.

In the present case there were three creditors with undisputed debts totalling about £348,000 in favour of a compulsory order, and seven with debts totalling about £47,000 against. The overwhelming majority in value was in favour of compulsory winding-up. Of the £47,000 against, £21,000 was represented by two companies controlled by Mr Davies.

The main reason why the petitioning and supporting creditors wanted a compulsory order was to have Mr Davies's management of the company investigated by the Official Receiver. That prospect might not appeal to Mr Davies and might be a reason why his companies opposed the order.

Besides counting debts, the court was entitled to have regard to the general principles of fairness and commercial morality. A judicial exercise of discretion should not leave substantial independent creditors with a strong and legitimate sense of grievance.

Continuation of the voluntary winding-up would leave McKees with a justifiable feeling of unfair treatment in two respects.

First, it was entitled to be aggrieved at its exclusion from the creditors' meeting. It was no answer that the result of the vote would have been the same if all excluded creditors had had been admitted. As a creditor which stood to lose a very large sum of money, McKees was, in fairness, entitled to be heard and ask questions.

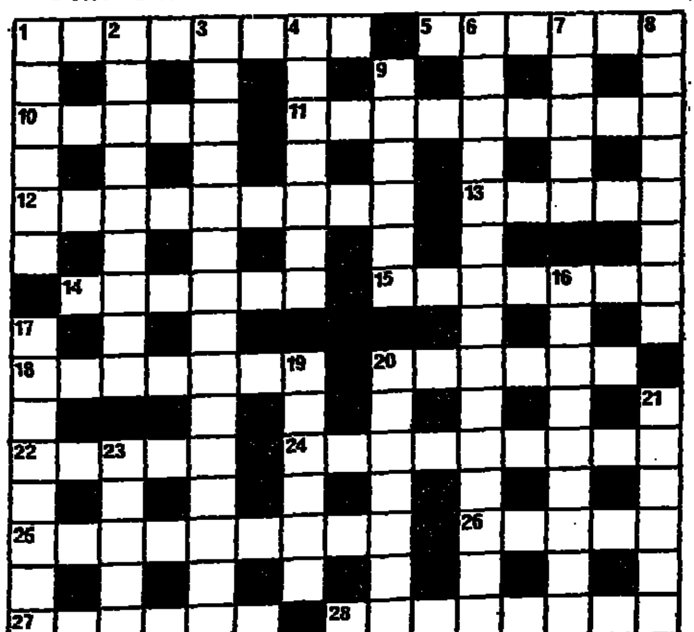
Secondly, in a case where there was evidence to suggest that assets had been transferred for inadequate value to an associated company, independent trade creditors should ordinarily be entitled to have the company investigated by a liquidator who was not merely independent, but could be seen to be independent. Disappointed creditors were bound to view with cynicism investigation by a liquidator chosen by the very persons whose conduct was under suspicion.

There was no criticism of the integrity or competence of the liquidator in the present case, but the fact that he was chosen by Mr Davies and that Mr Davies had gone to great lengths to maintain him in office was itself enough to disqualify him in the eyes of the petitioning and supporting creditors. Their attitude could not be simply rejected as irrational. It was something which the court should take into account.

For McKees: John Brisby (Stringer Saul & Justice, agents for Mears Hobbs & Durrant, Great Yarmouth).
For the opposing creditors: Edward Davidson (Jaques & Lewis).
For the voluntary liquidator: David Mabb (Mithani & Co, Birmingham).

By Rachel Davies
Barrister

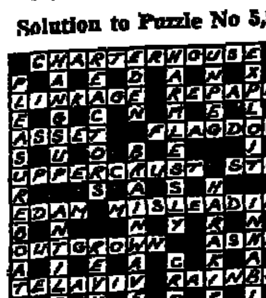
F.T. CROSSWORD PUZZLE No. 5,856



ACROSS
1 Jumper for a dog (8)
5 Scientific papers may be very amusing (6)
10 Indicate position in field (5)
11 Bird finding solution in joining up (9)
12 Need gun if proved genuine (9)
13 New sports arena (5)
14 Vaulted over pre-eminent journalist (6)
15 Have fresh misgivings about defence work (7)
18 He stands round with dealer (7)
20 Not skating as an act of kindness? (6)
22 Err again with distillate of turpentine (5)
24 Persisting indefinitely through island network (9)
25 Belief in wild claims about French wine (9)
26 Rustic in play by a novice (5)
27 Hammer point on shelf (6)
28 No deed is regarded as partial (3-5)

DOWN
1 Month churchwomen climb partition (6)
2 Strengthen police for example after check . . . (9)
3 . . . surrendering nevertheless (15)
4 Some term in education meaning "royally-clad?" (7)
6 Diplomat accused of amours? (6, 9)
7 Give us news about part to follow (5)
8 Pickle of friend caught in rain shower (8)
9 Colour paintings put up by dealer (6)
16 Pawnbroker read about being still under suspicion (9)
17 Draws funny cat surrounded by tarts! (8)
19 Traveller with bearing to mend (6)
20 A Roman's stroke for example (7)
21 Pen was first to be designated (6)
23 Rescue about fifty from hail (5)

Solution to Puzzle No 5,855



APPOINTMENTS

Reorganisation at C. E. Heath

C E HEATH has made a management reorganisation of the group's insurance broking activities. In order to develop worldwide capability, executive responsibility for the group's overseas broking activities is to be brought together with its UK based broking activities under a new subsidiary company, C. E. Heath (Insurance Broking) Holdings. The board of this company comprises: Mr D. H. Newton (chairman and chief executive), Mr J. A. E. Bassett, Mr M. J. Burton, Mr N. J. Chamberlain, Mr R. J. H. Dunn, Mr A. W. Frost, Mr P. J. Hughes, Mr D. W. Nichols, Mr J. Percy-Davis and Mr R. C. Pooley. Mr A. W. Frost has resigned from the board of C. E. Heath in order to concentrate on his role on the new broking holding company board.

C. E. Heath (Insurance Broking) Holdings has acquired the entire share capital of C. E. Heath and Co (Insurance Broking) and has incorporated two further subsidiaries: C. E. Heath UK Broking, which will manage the group's UK retail and life and pensions business, and C. E. Heath Overseas Broking, which will develop the network of overseas offices.

Mr R. C. Pooley will become chairman of C. E. Heath Overseas Broking and of C. E. Heath UK Broking and relinquishes the position of chairman and managing director of C. E. Heath and Co (UK). He remains a director of C. E. Heath with particular responsibility for Groupe Sprinks.

On November 1, Mr D. W. Nichols becomes managing director of C. E. Heath UK Broking and chairman of C. E. Heath and Co (UK). Mr R. M. Harrison becomes managing director of C. E. Heath and Co (UK), Mr B. Warburton becomes chief executive of the UK provincial offices and joins the board of C. E. Heath, Urquhart (Life and Pensions).

*

Mr Brian Wall and Mr Roger Couch join the executive board of JARVIS PORTER GROUP as group markeling director and group technical director.

*

The Rev William A. Penney has been appointed managing director of WILLIAMS LEA COMMUNICATIONS, a new company established by Williams Lea Group, to offer a range of office support services to the financial community.

*

Mr Howard Green is to become managing director of YELLOW ADVERTISER PUBLICATIONS. He also joins the board of Yellow Advertiser Newspaper Group. He is managing director and chief executive of Western Mail & Echo, Cardiff. Mr Green takes up his new post in January.

*

Mr Clive Deverell has been appointed a director of BULL THOMPSON and ASSOCIATES, where he will be responsible for the executive search operation. He joins from Alexander Hughes and Associates.

*

PHICOM has appointed the management team of its new subsidiary Trend Datalink. The chairman is Mr P. W. M. Dodds and Mr R. G. Baines becomes managing director.

*

Mr Hugh Adamson, previously manager at First National Boston, has been appointed UK manager and member of the management committee of FENNOSCANDIA.

*

Mr John Hart, managing director of Odhams-Sun, has been appointed chief executive of the newly-formed PURNELL ODHAMS-SUN PRINTERS.

*

Mr Mike Goodier, director and general manager of Field Packaging, has been appointed chairman of the CONFEDERATION OF BRITISH INDUSTRY'S Southern Region Council. He succeeds Mr John Fowles, chairman of Gowrings, and will serve a two-year term.

*

SIRA has appointed Mr John Alvey to its board as a non-executive director. He is managing director, development and procurement, and engineering-in-chief of British Telecome. Mr Jim Buckland, managing director of BS Instruments, leaves the Sira board by rotation following six years as a non-executive director.

*

MARYLAND BANK INTERNATIONAL has appointed Mr James T. Pierce and Mr David Feld as executive director and associate director respectively. Mr James T. Pierce was vice president and regional manager of Maryland National Bank in Baltimore and Mr Feld was chief representative of the bank in London. Following the recent formation of Maryland Bank International, a London and Luxembourg based operation, the representative office of Maryland National Bank is to be closed.

*

Mr Yoji Nishikawa has joined THE DAIWA BANK as deputy general manager from the Bahrain representative office where he was chief representative.

*

Mr Guy V. Barker has been appionted actuary of VANBRUGH LIFE ASSURANCE. He succeeds Mr Denis Wells, who is retiring.

*

Mr Eddie T. Young has been appointed marketing director of RUBEROID BUILDING PRODUCTS, part of Ruberoid. Mr Young was previously with Cape Boards and Panels.

*

Mr P. J. Augar, Mr R. A. R. Brand, Mr R. M. Dantzic, Mr C. R. Mills and Mr C. C. Pountain have been appointed directors of WOOD MACKENZIE & CO, stockbrokers.

*

ROXBURGHE GUARANTEE CORPORATION has appointed Regent Street, cmfwy cmfwyp Mr Michael Hill as managing director.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd.
66 Cannon St, London EC4N 6AE   Dlg 01 236 3885

International Growth	[illegible]	97.9	+1.1	2.00
Income & Growth	43.4	45.9	+0.2	3.20
Special Situations	52.1	55.5		1.40
American Growth	26.1	27.8	+0.1	1.10
Japan Growth	33.1	35.3	+0.1	
European Growth	40.6	43.4	+0.7	3.30
UK Growth	40.2	43.0	+0.2	
Pacific Growth	31.8	34.0	+0.1	1.80
High Income	28.3	30.2	+0.3	7.40
Practical Income Units	41.7	44.4	+0.2	3.1
Practical Accum Units	75.9	79.8	+0.5	3.1

Pearl Trust Managers Ltd. (a)(g)
252 High Holborn, WC1V 7EB   01-405 8441

Pearl Growth Fd	65.8	70.0	+0.5	3.12
Accum Units	97.2	103.4	+0.7	3.12
Pearl Inc	93.0	98.9	+0.6	4.97
Pearl Unit Tst	98.5	104.8	+0.9	3.92
(Accum Units)	166.5	177.1	+1.5	3.92

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames   0491 576868

Growth	195.5	209.8	+1.8	1.91
Income	145.7	156.1	+0.3	5.38
Worldwide Recovery	107.5	115.4	+0.7	2.64
American Growth	[illegible]	57.5	+0.1	1.11
Intl Emerging Cos	59.3	63.7	+0.3	0.75
Far East Growth Fd	49.3	52.9	-0.2	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2   01-247 7544-7

Prolific Far East	[illegible]	113.8	-1.1	0.19
Prolific Extra Inc	65.0	69.2	+0.4	5.78
Prolific Gilt Cap	84.5	87.9	-0.1	3.13
Prolific High Inc	140.7	149.7	+1.1	4.97
Prolific Intl	81.2	86.3	+0.1	1.86
Prolific N. Amer	108.7	116.5	-0.1	2.35
Prolific Spec. Sits	152.5	162.2	+1.5	1.44
Prolific Technology	94.9	101.7	+0.2	0.80

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London W12 8PG   01-749 9111

Japan Inc	51.8	55.4	-0.6	
Japan Acc	51.9	55.0	-0.7	
Worldwide Inc	[illegible]	[illegible]	+0.5	2.35

[illegible]

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

Australian Gen Mngt Ltd
48, Athol Street Douglas, IoM 0624 20845
Aust Gen Fund 43.94 44.61
Next dealing date November 4

B.I.A. Bond Investments AG
10, Baarerstrasse CH6301, Zug, Switzerland.
Barer Sbs September 30 SF 10,925 11,500

BNP Inv Mgmnt (Jersey) Ltd
PO Box 158, St Helier, Jersey 0534 76011
BNP Intercurrency Fund Ltd
U S Dollar $10.13 +0.2
Sterling £10.20 -0.2
DMarks DM30.39 +0.4
BNP Interequity Fund Ltd
North American $9.80 10.21 +0.6
Far East $10.31 10.74 -0.12

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman
Lombarr J. Baer $Fd $1.353 1.354 +0.001
S-Baer J Baer SFd SF1.018 1.023 +0.002
DM-Baer J Baer DMFd DM1.019 1.024 -0.002

Bamford Brandt Guernsey Mngt. Ltd.
PO Box 71, St Peter Port Guernsey 0481 26541
Tech and Comm £6.19 7.31
Pac. Basin Fund $32.25 34.18

The Bangkok Fund
Bangkok First Inv & Trust Ltd (Inv Adviser)
300 Silom Road, Bangkok, Thailand
NAV Oct 22 BAHT 261,210.17 US$9,816.35

Bank of America International S.A.

EBC Trust Company (Jersey) Ltd.
1-3 Seale St, St Helier, Jersey 0534 36331
International Income Fund
US$ Dep Short A $1.9061
Do Dep $1.0062 -0.2602
Mod Cur Str Term B $1.7051 -0.0031
Do Dep $0.9414 -0.0023
Eurobd Long Term $25.26 10.80
European Banking Traded Currency Fund
Income $10.20 10.562 +0.005 8.26
Capital $11.87 12.030 -0.041 8.26
European Banking Currency Income Fund
Income [illegible] 11.00
Yield
Offer price includes 5% preliminary charge

The English Association
26 Athol St. Douglas, Isle of Man 0624 20738
E.A. Far East $11.13 11.70 +0.08

Ermitage Management Ltd.
19 Royal Square St Helier, Jersey, CI 0534 76007
External Fund $20.52 20.75 +0.27
Bond & Cash Fd £10.28 10.35 +0.03 3.80
Cash Fund £20.90 -0.01

Ermitage Management Cayman Ltd.
PO Box 2192, Grand Cayman B.W.I.
Gam Ermitage $16.20
Cayman Cash Fd. $11.15 +0.06

Eurolife Assurance Group
5-11 Mortimer St., London W1N 7RH 01 631 0778

Money Market Trust Funds

Money Market Bank Accounts

NOTES

OFFSHORE AND OVERSEAS

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	108	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min	3½
GKN	20	Brit Petroleum	45
Hanson Tst	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

World tin market at the brink

BY STEFAN WAGSTYL

THE TIN market yesterday reached the brink. Traders had been saying for years that the members of the International Tin Agreement who club together to support prices would one day run out of money. Yesterday it happened.

The market realised that something was afoot at about 9 am when some dealers started selling heavily and the tin price fell suddenly by £190 a tonne to £8,140. A few minutes later Mr Pieter de Koning, the buffer stock manager who deals in the market on behalf of the ITC, rang the London Metal Exchange's (LME) chief executive Mr Michael Brown and asked for trading in tin to be halted.

As news of the suspension swept through the market, traders struggled to grasp the full implications of what had happened. At the LME and the ITV, hurried meetings were called which lasted all day and are to be resumed this morning.

Nothing less than the future of the price pact dating back 29 years between tin producing countries and their customers is at stake. Its collapse would have big repercussions on the economics of the major tin producers, including Malaysia, Indonesia, Thailand, Australia, Brazil and Bolivia. It would also call into question the ability of the LME to regulate its market. Finally, it might drive some traders, carrying large tin stocks, to the wall.

At the heart of the crisis is the conflict between free market forces, in the form of the LME traders, and the buffer stock manager, whose job it is to keep the tin price above a floor price of the equivalent of about £8,500 a tonne—perhaps £2,000 higher than it would be without him.

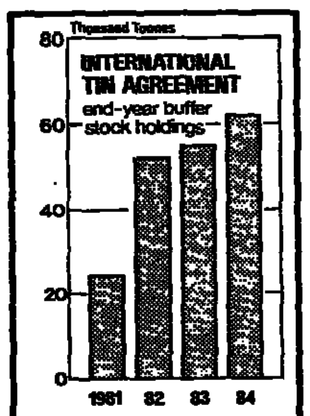
Mr de Koning hates to see the ITC described as a cartel because it represents consumers as well as producers and because it exists to keep prices below a fixed ceiling as well as above a fixed floor, both set in Malaysian dollars.

Controlling the price was not easy even in the 1960s when four countries — Malaysia, Bolivia, Indonesia and Thailand controlled nearly 80 per cent of the world's tin production. It has become almost impossible in the 1980s with the rapid rise of non-ITC producers, notably Brazil. As a result, the ITC controls just 60 per cent of output.

The rise of non-ITC production has forced the ITC members to restrict their tin output by 40 per cent under the current, sixth, international tin agreement which came into force in 1982. But this was not enough to prevent supply exceeding demand.

As a result, the buffer stock manager has had to buy tin, building up a stockpile of some 62,000 tonnes, or enough to satisfy world consumption for five months. This stock, worth just under £500m at current prices, was funded with some £200m of ITC-member funds and the rest borrowed from banks.

Unfortunately, for the ITC the banks got uneasy, living in the perpetual fear that if the ITC collapsed so would the value of their collateral. The buffer stock manager found himself toeing a line that got thinner by the day.



Earlier this year, he took what appeared to be a good chance to get his own back on traders who were for ever looking for the chance to sell forward one day and buy back more cheaply the next, thinking that metal would always be available from the buffer stock. But Mr de Koning spoilt their game by insisting on physical delivery against the sales. The price leapt to a record £10,325 a tonne catching these speculators unawares. However, the LME authorities suspended trading and then allowed it to resume in a way which seemed to let the speculators off the hook at Mr de Koning's expense.

In retospect this episode only served to remind the ITC's bankers of the inherent instability of the tin market. But their fears were finally brought to a head after a meeting of the Association of Tin Producing Countries (the producer members of the ITC) last month. This agreed an extra £60m for the buffer stock manager but, as Mr de Koning said yesterday, the funds have yet to materialise.

The suspension of trading will now concentrate the minds of the ITC ministers who are to attend an emergency full council meeting on Tuesday.

The ITC members might shore up the agreement in two ways—by giving the buffer stock manager more cash, or by getting the member governments to guarantee his borrowings.

If they do this, then the agreement could well stagger on, perhaps to the next crisis.

The traders can only wait and see, while the LME does its sums to see who among the 28 ring-dealing members will be hit by a price collapse.

Some would be in no position to stand the loss if tin, which was suspended at £8,140 a tonne, opens next week at £6,000 or less.

MPs attack UK policy on farm aid to Africa

By Michael Holman

THE LEVEL and nature of British Government assistance to African agriculture has come under strong criticism in a report by an all-party parliamentary group on overseas aid published yesterday.

Members of the group, under the chairmanship of Mr Jim Lester, MP (C), visited several African countries and looked particularly closely at Kenya, Sudan, Tanzania and the Gambia.

The committee is sharply critical of the fact that "there has been little movement on UK aid to African agriculture despite the growing crisis of food production in the region."

The amount allocated to the sector has decreased in real terms, says the report which suggests "a mismatch between robust policy statements in favour of aiding the renewable natural resources sector in Africa and the relatively modest level of financial allocations made available."

The report expresses concern about the "shift away from directly productive projects (in crops, livestock, forestry and fisheries) and processing projects and towards infrastructure projects — particularly roads and land development and irrigation".

Within directly productive projects, says the report, there are signs of "relative neglect" citing declining support for seed supply schemes, agricultural banks, agricultural storage projects and animal health services.

"As the aid programme has been cut back," comments the report, "it has been the relatively large infrastructure projects" offering better commercial prospects for the UK" which have survived best. Recipient governments have often accorded higher priority to such projects.

The report argues that the Government should stem the decline in its bilateral aid programme, ensure that a substantial proportion goes to long term development, and back new initiatives to support Africa's agricultural development.

"There is an urgent need for more official aid in the sector, and the improving policy environment in so many African countries is an assurance that aid can be applied effectively," the report concludes.

UK Aid to African Agriculture, Report of the Working Party of the All Party Parliamentary Group on Overseas Development, published by the Overseas Development Institute, Percy Street, London, W1. £2.95.

Guinea-Bissau invites bids for oil drilling licences

BY ROBERT DEL QUIARO

THE West African state of Guinea-Bissau is inviting oil companies to bid for licences to drill in exploration blocks, mainly off-shore, on what promises to be among the most favourable terms in the world.

Guinea-Bissau, which was Portuguese Guinea until independence was declared in 1973, is on the UN's list of the 30 poorest countries and has little to offer at present in international commarce. During the past four years, it used World Bank finance and outside consultants to prepare detailed seismic research of its continental shelf.

At information sessions for the oil industry in London and Houston over the last two weeks Guinea-Bissau officials and their advisers emphasised changes enacted this month in the country's hydrocarbons law.

These annulled stipulations that any oil company wanting to extract hydrocarbons from Guinea-Bissau must:

- Set up a joint venture in which the state oil enterprise Petrominas would have a majority stake;
- Establish a subsidiary company in Guinea-Bissau; and
- Make up any shortfall in oil and gas supplies to customers of Petrominas.

The amendments leave Petrominas's stake in any foreign company's oil extraction open to negotiation, as regards form and size. They also require that the foreign company set up only a branch office in Guinea-Bissau, and that it meet only

the country's internal demand for oil and gas.

Guinea-Bissau has only 800,000 people and low industrialisation so this last requirement is not likely to be a great problem for any foreign company.

The officials and consultants are suggesting a sliding scale of royalties to the state from a minimum 12.5 to the legal maximum of 20 per cent. The revenue law stipulates 50 per cent tax on annual corporate profit of 50m Guinean pesos (£237,000) or more.

However, the companies whose representatives attended the sessions were told that special fiscal incentives could be availablef or those trying to exploit an economically marginal strike.

In response to questions at the London event, Guinea-Bissau officials agreed to extend the deadline for licence bids from March 31 to May 31 next year. Any number and combination of blocks may be sought.

- U.S. crude oil stocks dropped sharply last week to slightly less than 320m barrels, according to the American Petroleum Institute (API), writes Nancy Dnune. Supplies were reported at 326m barrels the previous week and at 336m barrels during the same week in 1984.

Distillate fuel oil stocks were also well below last year's level at 117.7m barrels, down 500,000 barrels from the previous week and 35m barrels from 1984.

South Africa denies embargo threat

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICAN President P. W. Botha yesterday issued a strong denial that he had threatened to ban chrome exports in retaliation for sanctions against South Africa.

The misunderstanding arose from an electoral speech he made in the Orange Free State town of Bethlehem on Monday when he refused to accept the Commonwealth Conference call for a six-month timetable for the abolition of apartheid and warned of the double-edged nature of sanctions.

His speech, widely interpreted as a veiled threat, contained a reference to South Africa's leading position as a supplier of strategic metals.

According to the President's office he selected South Africa's position as leading free world supplier of chrome to illustrate his point.

"All the President was doing was to set up a series of hypothetical consequences of trade sanctions to highlight the folly of such measures. It remains the Government's position that we are not going to fight boycotts with boycotts," an official explained.

- Although President Botha concentrated his remarks on the possible impact of a chrome embargo it was platinum's price which had responded most sharply. So yesterday's denial also had most effect on the platinum price, which fell $4.35 to $331.50 a troy oz in London.

EEC approves dairy outgoers scheme

BY IVO DAWNAY IN BRUSSELS

THE EUROPEAN Commission yesterday approved an Ecu 1.28bn (£768m) programme of incentives to persuade dairy farmers to give up milk production. It will be put to EEC farm ministers next month.

As expected, the plan involves an offer to farmers of Ecu 6 for each 100 kilos of milk production given up, to be paid yearly over seven years from 1987, making a total of Ecu 42/100 kilos.

The Commission calculates that the saving to the farm budget through reduced production, and hence lower storage and export subsidy costs, could amount to Ecu 860m over the time period.

European Commission spending is aimed at removing 3m tonnes of annual milk production from the market. Member states will be allowed to buy up further quotas for redistribution.

According to the Commission total EEC production, taking account of direct deliveries, now amounts to 102.8m tonnes a year, against consumption of 85m tonnes. When export and imports are discounted, the surplus left to be tackled is 5.2m tonnes.

Producers approach common position on cocoa pact

BY ANDREW WHITLEY IN SALVADOR

THE 12-NATION Cocoa Producers Alliance (Copal) is due today to wind-up a five-day meeting here. It is expected to have achieved significant progress in moving towards a common position prior to next February's meeting with consumers on reactivating the dormant International Cocoa Agreement (ICCA).

Although no definitive position is expected to emerge from this meeting of Copal, a consensus on three key issues appears to be emerging. These are:

- A desirable price range of 100 to 140 U.S. cents per pound, with a narrower defined intervention range, to trigger buffer stock sales or purchases, of 105 to 135 U.S. cents.
- The establishment in producing countries of withholding stocks in proportion to their normal production potential. This is regarded as more acceptable to consumer countries than the alternative of export quotas on the lines of the International Coffee Agreement.
- Annual price reviews, on a basis still to be agreed. Dissent has been expressed over some of the formulas proposed.

Crucially for the success of the forthcoming International Cocoa Organisation (ICCO) meeting in Geneva, this time the Ivory Coast—the world's leading producer—is expected to participate. Brazil, the second largest producer, made clear on Monday it would not take part if the Ivory Coast was absent.

The Ivory Coast did not participate in the third ICCO in 1980, which subsequently collapsed. But its position on the desirable intervention price range has recently moderated, facilitating its return to the fold.

According to Mr Julian Onuorah of Nigeria, Copal's current chairman, all members have been fully participating in the preparatory meeting in Salvador, regarded as the last opportunity for the cocoa countries to reach a common understanding before the crucial Geneva meeting.

One factor which has boosted the prospects of an agreement in Geneva is the recent decline in the value of the U.S. dollar—which producers say has lent greater credibility to their insistence on a 100-140 cents price bracket. The consumers are believed to be advocating a range of 85-125 U.S. cents.

The Salvador meeting has been taking place against the background of a buoyant outlook for Brazil's Bahian cocoa. The recently concluded temperao crop reached 3.12m bags (each of 60 kilos) according to the Bahia cocoa commission.

Expectations are growing among traders here that this year's crop from Bahia, which terminates at the end of April, could reach a record 6m bags.

But, as consumption in major markets is also reported to be showing a respectable increase this year, the likelihood remains of a fine balance overall between supply and demand—and all to play for at the Geneva meeting of the ICCO.

LONDON MARKETS

COFFEE FUTURES prices rose steeply in London yesterday as traders reacted to deepening fears of severe drought damage to next year's Brazilian crop. New York prices were up sharply overnight and again in early dealings yesterday and London prices were given an extra push by the easiness of sterling against the dollar. The January position reached £1,820 a tonne at one stage before ending the day £102 higher at £1,805.50 a tonne. Dealers said heavy trading in London partly reflected spillover buying from New York after prices there hit the permissible daily limit and trading had to cease. Some analysts have suggested the Brazilian crop could be down as much as 25 per cent next year, but others said it was too early to put a figure on the drought damage.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	679.5-80	+9.25	678/673
3 months	702-.5	+9.5	704/693

Official closing (am): Cash 672.5-3 (667.5-8): three months 695.5-6 (690.-1); settlement 673 (668). Final kerb close: 704-5. Turnover: 13,950 tonnes.

COPPER

Officials closing (am): Cash 970-3 (965-8) ... Turnover: 51,375 tonnes. U.S. producer prices: 66.5/70 cents per lb.

INDICES

FINANCIAL TIMES

Oct. 23	Oct. 22	M'th ago	Year ago
249.46	248.53	251.46	282.56

(Base: July 1 1952=100)

REUTERS

Oct. 24	Oct. 23	M'th ago	Year ago
1711.6	1703.2	1726.5	1898.3

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct. 23	Oct. 22	Month ago	Year ago
Spot	116.97	116.83	–	124.42
Fut.	119.07	118.99	–	127.44

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 24 1985	+ or —	Month ago
METALS			
Aluminium	£1100	......	£1100
Free Mkt.	$995/1015	–10	$1005/25
Copper			
Cash h Grade	£993	+0.75	£951
3 mths	£1007.75	+6.5	£975.75
Gold Troy oz	$326.5	–1.25	$329.25
Lead Cash	£274	–3.5	£277.5
3 mths	£278.25	–2.25	£286.25
Nickel			
Free Mkt.	188-208c	......	208/21.0c
Palladium oz	$103.55	–1.45	$101.60
Platinum oz	$331.50	–4.35	$316210
Quicksilver†	$265/275	......	$280/290
Silver troy oz	432.05p	–0.85	437.80p
3 months	443.75p	–0.70	438.90p
Tin cash	‡		£8642
3 months	‡		£8592.5
OTHERS			
Cocoa Ft. Mar.	£1747	+6.5	£1782.5
Coffee Ft. Jan.	£1805.5	+102	£1597
Cotton A Index	48.35c	–0.05	51.65c
Gas Oil Dec.	$259.25	+5	$254.25
Rubber (kilo)	57p	......	57.5p
Sugar (raw)	$128x	–1	$139
Wooltops 64s	414p kilo	......	426 pkilo

‡ Unquoted. x Oct-Nov. w Nov-Dec. v Nov. u Dec. † per 75 lb flask c Cents per pound.

COCOA

After being easier at the opening, values steadied to close at the day's highs. Producers remained withdrawn but some consumer activity was found, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Dec.	1705-1706	+6.5	1706-1690
March	1746-1748	+6.5	1749-1731
May	1767-1768	+2.0	1768-1756
July	1787-1790	–1.0	1791-1790
Sept.	1797-1801	–4.5	1802-1795
Dec.	1785-1789	–6.5	1794-1785
Mar.	1794-1810	–3.0	1800-1797

Sales: 2,513 (1,259) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for October 24: 106.80 (106.62): five-day average for October 25: 106.44 (106.56).

COFFEE

Following a steady New York close, the madket continued to advance with strong commission house buying. Continuing concern over the Brazil drought brought advances of £114 with trade scale-up sellers. Light profit-taking on the close pared gains slightly, reports Drexel Burnham Lambert.

COFFEE	Yesterdy's Close	+ or —	Business Done
Nov.	1760-1785	+101.5	1777-1680
Jan.	1806-1808	+102.0	1820-1750
March	1833-1855	+103.0	1850-1762
May	1850-1865	+88.0	1862-1788
July	1870-1888	+90.0	1880-1803
Sept.	1898-1900	+90.5	1900-1822
Nov.	1900-1950	+85.0	1950

Sales: 10,037 (2,526) lots of 5 tonnes.

ICO indicator prices (U.S. cents per lb) for October 23: Comp. daily 1979 127.06 (125.12); 15-day average 122.44 (121.90).

GRAINS

Wheat remained steady on lack of selling interest reaching 45p up on good mixed country and shipper buying. Light profit-taking trimmed the gains late in the day. Barley came under selling pressure with liquidation of November ahead of tender the major feature. Forwards were little changed on the day, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Nov	106.10	+0.35	105.75	–0.50
Jan	108.90	+0.25	109.05	+0.15
Mar	111.90	+0.45	111.95	+0.10
May	114.70	+0.45	114.05	–0.05
July	117.50	–0.25	—	—
Sept	97.00	—	97.25	+0.10

Business done—Wheat: Nov 106.20-5.75, Jan 109.05-8.60, March 111.90-1.55, May 114.70-4.30, July adn Sept untraded.

OIL

Brent traded actively for November through January: almost 30 cargoes in total, of which half were for December. Nymex opened 8c up for December and traded at 15c up at 1.30 EDT. Heavy fuel and gas oil were very actively traded. Gas oil firmed strongly with the futures. The sharp rise in price attracted speculative interest — Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Nov.		
Arab Light	27.70-27.80	—
Arab Heavy	25.55-25.65	—
Dubai	25.40-25.45*	+0.125
Brent Blend	28.65-28.75	+0.50
W.T.I. (1pm est)	29.90-30.05	–0.40
Forcados (Nigeria)	28.75-28.85	—
Urals (cif NWE)	—	—

POTATOES

The market was extremely quiet throughout session. The promise of publication of first yield estimates as son as 70 per cent of crop check weighings are completed and analysed, which is expected within the next week, left the market in limbo, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
Nov	64.00	63.50	64.50-63.90
Feb	68.00	68.00	68.00-67.90
Apr	77.80	76.90	78.00-77.20
May	84.00	83.10	84.00-83.60

Sales: 81 (233) lots of 40 tonnes.

SOYABEAN MEAL

U.S. MARKETS

PRECIOUS METALS were steady with strength to the dollar tending to discourage fresh interest, reports Heinold Commodities. Weak car sales led to pressure on copper values. Aluminium held steady in response to reports of producer cutbacks. Sugar values showed a firmer trend on concerns that dry weather might affect the Brazilian sugar cane crop. Cocoa was featureless awaiting fresh incentive. Coffee rallied sharply on perceptions that supplies will grow tight due to adverse weather in Brazil along with the well sold position of Colombia. Cotton firmed on reports that sales outside the loan structure have been light. The energy complex remained firm on the low stock levels prevailing in the U.S. The grain complex traded mixed with maize and soyabeans under pressure from good harvest weather and expectations of better cash movement.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	43.15	—	—	42.85
Nov	43.30	—	—	42.95
Dec	43.65	43.65	43.30	43.35
Jan	44.00	—	—	43.70
March	44.75	44.65	44.40	44.45
May	45.45	—	—	45.15
July	46.15	—	—	45.85
Sept	46.85	—	—	46.55

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Nov	84.85	86.00	84.70	84.75
Dec	85.20	86.50	84.80	85.05
Jan	85.00	86.20	84.80	84.88
Feb	83.50	84.60	83.50	83.60
March	79.10	79.90	79.05	78.92
April	75.80	76.40	75.60	75.70
May	73.00	73.50	73.00	72.80
June	73.50	—	—	73.15

SPOT PRICES—Chicago loose lard 16.50 (same) cents per pound. New York tin 525-35 (560-64) cents per pound. Handy and Harman silver bullion 618.5 (616.0) cents per troy ounce.

CHICAGO

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks sell dollars

Central banks intervened on the foreign exchanges yesterday as the market attempted to push the dollar above DM 2.65. Dealers reported dollar sales by the Federal Reserve in New York, and earlier in the day the German Bundesbank confirmed it sold dollars on the open market. There were also signs the Bank of Japan intervened in Tokyo.

There was a reasonable amount of news, but none involved the U.S. economy, and was for the most part ignored by the market. Good commercial demand and covering of short positions fuelled demand for the dollar. It seems the central banks become aggressive sellers when the dollar is pushed above DM 2.65, but the monetary authorities will have to sell on a larger scale than at present to move the U.S. currency below DM 2.62. But a better assessment of the situation may have to wait until next week, in case the present meetings in the U.S., involving leaders from the major industrial nations, produce a fresh initiative on the dollar.

News almost entirely ignored by the market was: a move by the Bank of Japan to raise short-term interest rates in Tokyo; unchanged credit policies at the Bundesbank council meeting, coupled with good West German trade figures; and UK trade figures much as expected.

The dollar rose to DM 2.6495 from DM 2.6380; FFr 8.0750 from FFr 8.04; SwFr 2.1710 from SwFr 2.1640; and Y216.65 from Y215.75.

On Bank of England figures the dollars index rose to 131.2 from 130.8.

DEUTSCHE MARK — Trading range against the dollar in 1985 is 3.4510 to 2.6190. September average 2.8370. Exchange rate index 127.9 against 121.3 six months ago.

The Deutsche Mark lost ground to the dollar as the market continued to concentrate on the U.S. economy and ignore encouraging economic data from West Germany. The good German trade figures were not a surprise, but underlined the strength of the economy. The September trade surplus widened to DM 7.4bn from DM 3.3bn, and the current account for the same month showed a surplus of DM 4.3bn, after a deficit of DM 800m in August. It was also expected the Bundesbank council, meeting in West Berlin, would leave credit policies unchanged, despite a slight tightening of the money market this week. The Bundesbank entered the open market to sell dollars when the dollar rose to DM 2.6550 just ahead of the Frankfurt fixing. The central bank may have sold about $50m at that time and another $39.6m when the dollar was fixed at DM 2.6487, compared with DM 2.6372 on Wednesday. At the close the dollar was DM 2.6475 compared with DM 2.6390 in Frankfurt on Wednesday.

STERLING — Trading range against the dollar in 1985 is 1.4400 to 1.0525. September average 1.3657. Exchange rate index fell 0.4 to 80.7, compared with 77.3 six months ago. The close was the lowest level of the day. The index opened unchanged at 81.1, the day's peak, and remained steady until losing ground around lunch time.

Sterling fell 1.25 cents to $1.4210 - $1.4220. Dealers were uncertain why the pound fell in the afternoon, after remaining steady in the morning, but mentioned Saudi Arabian plans to step up oil production and the halt to tin trading in London, since the metal is traded in sterling. Sterling also fell to DM 3.7650 from DM 3.7825; FFr 11.4775 from FFr 11.53; SFr 3.0850 from SFr 3.1025; and Y308 from Y309.50. The virtually unchanged September UK visible trade deficit of £200m, and balance of payments surplus of £200m was as expected, and had no impact.

£ IN NEW YORK

	Oct. 24	Prev. close
£ Spot	$1.4215-4225	$1.4320-4330
1 month	0.44-0.41 pm	0.45-0.42 pm
3 months	1.21-1.16 pm	1.20-1.17 pm
12 months	3.30-3.20 pm	3.43-3.33 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

October 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4200-1.4345	1.4210-1.4220	0.44-0.41c pm	3.59	1.19-1.14 pm	3.28
Canada	1.9401-1.9667	1.9405-1.9435	0.56-0.47c pm	3.18	1.46-1.31 pm	2.85
Nethlnd.	4.24⅞-4.27	4.24½-4.25½	2¼-1⅞c pm	5.65	5⅞-5⅝ pm	5.41
Belgium	76.15-76.78	76.20-76.30	21-16c pm	2.91	58-48 pm	2.83
Denmark	13.63¾-13.74	13.65¼-13.66¼	3¼-2½ore pm	2.53	9¼-8 pm	2.51
Ireland	1.2162-1.2240	1.2165-1.2175	0.24-0.11p pm	1.73	0.66-0.45 pm	1.82
W. Ger.	3.76-3.79	3.76-3.77	2¾-2¼pf pm	7.37	6¾-6⅜ pm	6.71
Portugal	231-236	231-234	35-325c dis	−9.29	375-1370ds	−15.01
Spain	230¼-232½	230¼-230¾	par-25c dis	−0.65	100-185 dis	−2.47
Italy	2537¼-2558¾	2538¼-2539¼	1-5lire dis	−1.42	10-15 dis	−1.97
Norway	11.28-11.35½	11.28½-11.29½	½-1¼ore dis	−0.86	2-3¼ dis	−0.91
France	11.47¾-11.55¼	11.47¾-11.48¾	2¾-2¼c pm	2.55	6¾-5¾ pm	2.05
Sweden	11.30½-11.39¾	11.31-11.32	2½-3¼ore dis	−2.78	7½-8¾ dis	−2.72
Japan	307½-310¼	307½-308½	1.28-1.18y pm	4.79	3.40-3.27 pm	4.33
Austria	26.41-26.62	26.41-26.45	14½-13gro pm	6.24	38⅞-34¾ pm	5.57
Switz.	3.08-3.10½	3.08-3.09	2½-1⅞c pm	7.78	5¾-5¼ pm	6.89

Belgian rate is for convertible francs. Financial franc 76.90-77.00. Six-month forward dollar 2.12-2.07c pm. 12-month 3.40-3.25c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

October 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4200-1.4345	1.4210-1.4220	0.44-0.41c pm	3.59	1.19-1.14 pm	3.28
Ireland†	1.1665-1.1720	1.1685-1.1693	0.22-0.12c pm	1.74	0.50-0.35 pm	1.45
Canada	1.3640-1.3682	1.3652-1.3662	0.03-0.06c dis	−0.40	0.12-0.17dis	−0.42
Nethlnd.	2.9775-2.9950	2.9890-2.9900	0.57-0.54c pm	2.23	1.63-1.60 pm	2.17
Belgium	53.45-53.80	53.60-53.70	2-3c dis	−0.56	6-8 dis	−0.52
Denmark	9.56¾-9.62¾	9.60½-9.61	¼-1¼ore dis	−1.09	1½-2½ dis	−0.78
W. Ger.	2.6395-2.6550	2.6490-2.6500	0.84-0.79pf pm	3.70	2.31-2.26 pm	3.45
Portugal	163¾-165¼	164¼-165¼	75-275c dis	−12.80	400-1100ds	−18.29
Spain	161.65-162.37	161.85-162.05	50-65c dis	−4.26	200-275dis	−5.87
Italy	1782-1790½	1785½-1786½	7-8lire dis	−5.04	22-23½ dis	−5.10
Norway	7.91½-7.94¾	7.94-7.94½	2¾-3¼ore dis	−4.35	8¼-8¾ dis	−4.23
France	8.05¾-8.09¾	8.07¼-8.07¾	0.65-0.75c dis	−1.04	2.25-2.55dis	−1.19
Sweden	7.93-7.96¾	7.95¾-7.96¼	4-4½ore dis	−6.42	11¾-12¾ dis	−6.04
Japan	215.95-217.05	216.60-216.70	0.25-0.22y pm	1.30	0.72-0.68 pm	1.29
Austria	18.55-18.64	18.55-18.59	4½-3¼gro pm	2.66	12¼-8¾ pm	2.36
Switz.	2.1620-2.1765	2.1705-2.1715	0.79-0.74c pm	4.23	2.00-1.95 pm	3.64

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 54.10-54.20.

EXCHANGE CROSS RATES

Oct. 24	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.422	3.766	308	11.48	3.085	4.250	2539.	1.942	76.25
$	0.703	1.	2.650	216.7	8.075	2.171	2.990	1786.	1.366	53.65
DM	0.266	0.378	1.	81.81	3.048	0.819	1.129	674.3	0.516	20.25
YEN	3.247	4.615	12.22	1000.	37.26	10.02	13.80	8243.	6.305	247.6
F Fr.	0.871	1.239	3.280	268.4	10.	2.688	3.703	2212.	1.692	66.43
S Fr.	0.324	0.461	1.220	99.84	3.720	1.	1.378	822.9	0.629	24.72
H Fl.	0.235	0.334	0.886	72.47	2.701	0.726	1.	597.4	0.457	17.94
Lira	0.394	0.560	1.483	121.3	4.521	1.215	1.674	1000.	0.765	30.03
C $	0.515	0.732	1.939	158.6	5.910	1.589	2.188	1307.	1.	39.26
B Fr.	1.311	1.864	4.938	403.9	15.05	4.046	5.574	3330.	2.547	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Oct. 24	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11⅛-11⅜	11⅜-11⅝	11⅝-11¾	11⅝-11⅞	11⅜-11½	11¼-11⅜
U.S. Dollar	8⅛-8⅜	8⅛-8⅜	8⅛-8⅜	8⅛-8⅜	8⅛-8⅜	8⅛-8⅝
Can Dollar	8-8½	8¼-8½	8¼-8½	8¼-8½	8⅝-8⅞	9-9¼
D Guilder	5¾-6	5¾-6	5⅞-6⅛	5⅞-6⅛	6-6⅛	6¼-6¾
Sw. Franc	1⅛-1⅜	10⅝-10⅞	3⅞-4⅛	3⅞-4⅛	4⅛-4⅜	4⅛-4⅜
Deutschmrk	4½-4⅝	4½-4⅝	4½-4⅝	4½-4⅝	4¾-4⅞	4⅞-5
Fr. Franc	9⅛-9⅜	9⅛-9¼	9⅛-9¼	9⅛-9¼	10⅛-10⅜	10⅞-11
Italian Lire	12½-14	12-13⅝	13-13⅞	13-13⅞	13⅝-13¾	13⅝-14
B.Fr.(Fin)	8⅝-8⅞	8⅝-8⅞	8⅝-8⅞	8⅝-8⅞	8¾-9	8⅞-9⅛
Br.Fr.(Con)	8⅝-8⅞	8⅝-8⅞	8⅝-8⅞	8⅝-8⅞	8¾-9	9-9¼
Yen	6¾-6⅞	7⅛-7¼	7-7⅛	7-7⅛	6⅞-7	6⅞-7
D. Krone	9¾-10¼	9¾-10¼	9⅝-9⅞	9⅝-9⅞	9⅝-9⅞	9⅝-9⅞
Asian $ (Sng)	8-8¼	8⅛-8⅜	8-8⅛	8-8⅛	8⅛-8⅜	8½-8⅝

Long-term Eurodollars: two years 9¼-9½ per cent; three years 9¾-10 per cent; four years 10-10¼ per cent; five years 10⅛-10½ per cent nominal. Short-term rates are call for U.S. Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

Oct. 24	Bank of England Index	Morgan Guaranty Change %
Sterling	80.7	−9.9
U.S. dollar	131.2	+19.2
Canadian dollar	84.2	−8.6
Austrian schilling	119.6	+5.1
Belgian franc	91.9	−9.9
Danish Kroner	81.5	−4.0
Deutsche mark	127.9	+9.7
Swiss franc	151.2	+13.4
Guilder	117.8	+5.3
French franc	68.6	−12.7
Lire	44.6	−19.9
Yen	168.9	+22.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Oct. 24	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.743532	0.584656
U.S.$	7½	1.06398	0.835196
Canadian $	8.55	*	1.14088
Austria Sch.	4	19.7932	15.5430
Belgian Fr	9	57.1219	44.8333
Danish Kr	7	10.2190	8.01912
D mark	4	2.81600	2.21201
Guilder	5	3.17952	2.49573
French Fr	9½	8.59647	6.74546
Lira	15½	1901.23	1492.91
Yen	5	229.913	181.029
Norway Kr	8	8.44114	6.62602
Span'h Pta	—	172.560	135.302
Swedish Kr	10½	8.46082	6.64105
Swiss Fr	4	n/a	1.81489
Greek Dr'ch	20½	165.402	129.956
Irish Punt	—	0.909722	0.714147

* C$/SDR rate for Oct 23: 1.45436

OTHER CURRENCIES

Oct. 24	£	$
Arg'tina	1.1420-1.1443	0.8000-0.8010
Aus'alia	2.0420-2.0460	1.4305-1.4320
Brazil	11,905-11,971	8,340-8,380
Finland	8.1110-8.1365	5.6880-5.6900
Greece	220.03-224.54	153.60-156.75
H'kong	11.1299-11.1420	7.8000-7.8050
Iran	123.75*	86.50*
Kuwait	0.4815-0.4220	0.29529-0.29535
Lux'burg	76.20-76.30	53.60-53.70
Malay'sa	3.5075-3.5135	2.4575-2.4605
N'Z'land	2.5130-2.5180	1.7605-1.7765
Saudi Ar	5.2065-5.2130	3.6493-3.6491
Sin'pore	3.0580-3.0640	2.1425-2.1455
S.Af.(Cm)	3.6926-3.7015	2.5875-2.5940
S.Af.(Fn)	4.6035-4.7570	3.2260-3.3335
U.A.E.	5.2380-5.2445	3.6720-3.6750

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.8333	—	+0.70	±1.5425
Danish Krone	8.12857	8.01912	−1.35	−0.65	±1.6421
German D-mark	2.23840	2.21201	−1.18	−0.48	±1.1455
French Franc	6.85402	6.74546	−1.73	−1.03	±1.3654
Dutch Guilder	2.52208	2.49573	−1.04	−0.34	±1.5162
Irish Punt	0.724578	0.714147	−1.44	−0.74	±1.6673
Italian lira	1520.60	1492.91	−1.82	−1.75	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

Little change

Trading remained featureless on the London International Financial Futures Exchange yesterday. The auction of two-year U.S. Treasury notes was a success, but this was to be expected with the present shortage of paper in the market, and had no impact on dollar interest rate contracts. The impasse in the U.S. Congress over raising the Federal debt ceiling may be set to continue well into next month, creating a lack of paper in the market, and supporting prices. But once a bill to increase the debt ceiling is passed the U.S. Treasury is expected to hold auctions on such a large scale that potential buyers are holding back at present. No U.S. statistics of interest to the market were published yesterday. Last night's weekly M1 money supply figure was forecast to fall, bringing it nearer the top of the Federal Reserve's target range. This may bring a cut in the U.S. discount rate nearer, providing economic growth remains relatively sluggish, and should also help to support the market.

December Eurodollars opened at 91.80 and touched a peak of 91.81, but retreated to 91.78 before Chicago opened. U.S. traders pushed the contract down to a low of 91.73, following Treasury bonds, and it closed at 91.74, compared with 91.81 previously.

U.S. Treasury bonds for December began at 77-06, and after touching 77-09, fell to a low of 76-26 after Chicago opened, depressed by the high Federal funds rate. Short covering helped the contract recover to 77-02, little changed from the previous settlement of 77-01.

December long term gilts opened at the day's high of 113-23, and was fairly steady around 113-19 until the weakness of sterling pushed it down to a low of 113-14. Dealers reported support at around the 113-16 level, however, and it recovered a little to finish at 113-19, against 113-23 on Wednesday.

Sterling deposit futures closed on the day's low in reaction to the fall in the value of the pound.

STERLING INDEX

	Oct 24	Previous
8.30 am	81.1	81.0
9.00 am	81.1	81.0
10.00 am	81.1	81.0
11.00 am	81.1	81.0
Noon	81.1	81.0
1.00 pm	80.9	81.0
2.00 pm	80.9	81.1
3.00 pm	80.9	81.0
4.00 pm	80.7	81.1

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4215	1.4173	1.4099	1.4006	1.3863

IMM—STERLING $ per £

	Latest	High	Low	Prev
Dec	1.4190	1.4220	1.4175	1.4270
March	1.4095	1.4110	1.4080	1.4165
June	1.4010	—	1.4010	1.4090

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4175	1.4259	1.4192	1.4255
March	1.4075	1.4115	1.4115	1.4150
June	1.4000	1.4085	1.4005	1.4075

Est. Volume 143 (137)
Previous day's open int. 3,732 (3,705)

LIFFE—DEUTCSHE DM125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3795	0.3800	0.3790	0.3810
March	0.3826	—	—	0.3841
June	0.3860	—	—	0.3875

Est. Volume 19 (7)
Previous day's open int. 449 (449)

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Dec	113-19	113-23	113-14	113-23
March	113-21	—	—	113-25
June	—	—	—	—
Sept	112-21	—	—	112-25
Dec	112-21	—	—	112-25

Est. Volume 2,218 (1,842)
Previous day's open int. 4,901 (5,245)
Basis quote (clean cash price of 13½% Treasury 2004/08 less equivalent price of near futures contract) −6 to +4 (32nds).

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev
Dec	98-16	98-20	98-16	98-20
March	98-29	—	—	98-33

Est. Volume 346 (209)
Previous day's open int. 1,750 (1,770)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Dec	88.72	88.80	88.72	88.79
March	89.16	89.22	89.16	89.20
June	89.36	89.42	89.38	89.42
Sept	89.33	89.37	89.33	89.36
Dec	89.21	—	—	89.27

Est. Volume 1,362 (1,275)
Previous day's open int. 7,656 (7,638)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Dec	136.45	136.45	135.50	135.80
March	137.45	137.25	136.55	136.80

Est. Volume 370 (332)
Previous day's open int. 1,596 (1,530)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Dec	91.74	91.81	91.73	91.81
March	91.44	91.51	91.43	91.51
June	91.08	91.16	91.08	91.16
Sept	90.73	90.81	90.72	90.82
Dec	90.40	90.48	90.47	90.50

Est. Volume 4,408 (5,150)
Previous day's open int. 21,175 (21,352)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	77-02	77-09	76-26	77-01
March	75-25	—	—	75-24

Est. Volume 2,603 (4,791)
Previous day's open int. 3,011 (3,040)

CHICAGO

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Dec	91.75	91.78	91.73	91.82
March	91.43	91.47	91.41	91.51
June	91.06	91.08	91.05	91.14
Sept	90.71	90.77	90.70	90.79
Dec	90.37	90.37	90.35	90.45
March	90.06	90.06	90.04	90.14
June	89.76	89.76	89.73	89.85
Sept	89.49	89.49	89.47	89.59

CERT DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Dec	92.06	92.06	92.06	92.13
March	—	—	—	91.82
June	—	—	—	91.44
Sept	—	—	—	91.09

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Dec	92.85	92.89	92.83	92.90
March	92.60	92.63	92.58	92.64
June	92.24	92.24	92.23	92.29
Sept	91.90	91.90	91.89	91.95
Dec	91.58	—	91.58	91.64
March	91.31	—	91.31	91.36
June	91.05	—	91.05	91.11
Sept	90.84	—	90.84	90.94

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	77-03	77-07	76-25	77-08
March	75-25	75-29	75-15	75-30
June	74-21	74-24	74-12	74-25
Sept	73-20	73-23	73-10	73-23
Dec	72-21	72-21	72-12	72-24
March	—	—	—	71-28
June	—	—	—	71-03
Dec	—	—	—	69-24
March	—	—	—	69-06

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
90.00	1.74	1.47	1.25	—	0.00	0.03	0.17	—
90.50	1.24	1.02	0.88	—	0.00	0.08	0.30	—
91.00	0.75	0.63	0.56	—	0.01	0.19	0.48	40
91.50	0.34	0.33	0.33	50	0.10	0.39	0.75	33
92.00	0.08	0.14	0.16	162	0.34	0.70	1.08	—
92.50	0.01	0.04	—	1	0.77	1.10	—	—
93.00	0.00	—	—	—	1.26	—	—	—

Previous day's open interest: Calls 2,459, Puts 2,819

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	22.38	22.38	22.38	—	0.00	0.22	0.78	—
1.25	17.38	17.38	17.38	—	0.01	0.62	1.55	—
1.30	12.38	12.38	12.75	100	0.10	1.42	2.75	—
1.35	7.38	8.58	9.50	—	0.57	2.81	4.50	110
1.40	3.71	5.66	6.63	240	1.86	4.71	6.83	285
1.45	1.47	3.51	4.73	11	4.72	7.76	9.73	5
1.50	0.44	2.04	3.17	380	8.69	11.29	13.17	—

Previous day's open interest: Calls 9,323, Puts 15,894

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1.25	"	"	"	"	"	"	"	"
1.30	"	"	"	"	"	"	"	"
1.35	"	"	"	"	"	"	"	"
1.40	"	"	"	"	"	"	"	"
1.45	"	"	"	"	"	"	"	"
1.50	"	"	"	"	"	"	"	"

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—
1.35	7.50	—	10.05	4	0.55	—	—	21
1.40	3.65	5.70	—	3	1.70	4.60	—	44
1.45	1.55	—	5.00	133	4.80	—	—	3
1.50	0.55	2.15	—	22	—	—	—	—

MONEY MARKETS

London rates steady

Interest rates remained static in London. Three-month interbank closed unchanged at 11 11/16-11¾ per cent, and discount houses buying rates for three-month bank bills were 11 9/32-11 7/32 per cent.

The Bank of England forecast a money market shortage of £650m in the morning, but changed this to £700m at noon. Total help of £576m was provided.

Outright bill purchases were £536m. Before lunch the authorities bought £199m bank bills, by way of £36m in band 1 (up to 14 days maturity) at 11⅜ per cent; £65m in band 2 (15-33 days) at 11 5/16 per cent; £33m in band 3 (34-63 days) at 11¼ per cent; and £65m in band 4 (64-91 days) at 11 3/16 per cent.

In the afternoon another £337m bills were puchased, through £6m local authority bills and £10m bank bills in band 1; £15m Treasury bills and £207m bank bills in band 2; and £99m bank bills in band 3 at unchanged rates. Late assistance of £40m was also provided. Bills maturing drained £305m; unwinding of repurchase agreements £377m; and a rise in the note circulation £20m. These outweighed Exchequer transactions adding £25m, and bank balances above target by £20m.

In Tokyo dealers were sceptical about the likely success of the Bank of Japan's move to boost the yen against the dollar by allowing short-term interest rates to rise. The central bank did not supply funds to the money market yesterday to meet an estimated credit shortage of Y700bn. As a result bill rates and the unconditional call rate rose by about ⅛ per cent. Dealers believe the Bank of Japan has changed its policy and is guiding rates higher, but this was denied by an official of the central bank.

In Frankfurt call money eased back to 4.50 per cent from 4.55 per cent in comfortable money market conditions in spite of the drain of DM 3.5bn after the Bundesbank did not fully replace an expiring securities repurchase agreement on Wednesday.

In Stockholm the Swedish Central Bank cut the penalty rate at which commercial banks obtain short term funds from the bank to 14 per cent from 15 per cent. On July 11 the central bank last cut the penalty rate by 1 per cent to 15 per cent, and at the same time reduced the discount rate by a similar amount to 10½ per cent.

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	8¼
Fed funds at intervention	8⅝
Treasury Bills & Bonds	
One month	7.19
Two month	7.34
Three month	7.48
Six month	7.82
One year	8.04
Two year	8.05
Three year	9.16
Four year	9.43
Five year	9.66
Seven year	9.99
10 year	10.15
30 year	10.42

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 24)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/8	offer 8 1/4	bid 8 3/16	offer 8 5/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Oct. 24	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11-12¼	11½-11⅝	11⅝-11¾	11⅝-11⅝	11 9/16-11½	11 7/16-11⅜
Sterling CDs	—	—	11 9/16-11 7/16	11⅝-11 9/16	11¼-11⅜	10 15/16-11 1/16
Local Authority Depos	11½	11½-11⅝	11⅝	11½	11⅜	11 5/16
Local Authority Bonds	—	—	12 1/16	11⅞	11¾	11 9/16
Discount Mkt Depos	11¼-11¾	11⅜-11½	11½	11¼-11¼	—	—
Company Depos	11½-11¾	11⅝-11¾	11¾-11⅞	11¾	—	—
Finance Hse Depos	—	—	11⅞	11⅞	11 7/16	11¼
Treasury Bills (Buy)	—	—	11 5/16	11 3/16-11 1/16	—	—
Bank Bills (Buy)	—	—	11 9/16	11 9/16	10 15/16-10 13/16	—
Fine Trade Bills (Buy)	—	—	11¾	11 5/16	11 1/16	—
Dollar CDs	—	—	7.9-8.0	8.0-8.1	8.1-8.2	8.35-8.45
SDR Linked Depos	—	—	7⅝-7⅞	7¾-8	7 13/16-8 1/16	8-8¼
ECU Linked Depos	—	—	8⅛-8 5/16	8 3/16-8 5/16	8⅜-8 9/16	8 3/16-8 5/16

Treasury Bills (sell): one-month 11¼ per cent; three-month 11⅛ per cent. Bank bills (sell): one-month 11 7/32 per cent; three-month 11⅛ per cent. Treasury Bills: Average tender rate of discount 11.0982 per cent. ECGD Fixed Finance IV: September 4 to October 1 (inclusive): 11.697 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from October 1 1985. Bank Deposit Rates for sums at seven days' notice 5.25-5.625 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11¼ per cent; nine-12 months 11 per cent. Under £100,000 11 per cent from October 2. Deposits held under Series 5 11 per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Oct. 24	Ov'r nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.45-4.55	4.60-4.75	4.64-4.7	4.70-4.85	4.75-4.85	5.5
Paris	9¼	9⅛-9¼	9⅛-9¼	9⅛-9⅜	9⅜-9½	9¼
Zurich	3¼	3⅞-4	—	4⅛-4¼	4⅛-4¼	—
Amsterdam	5⅝-6	5 13/16-5 15/16	—	5 13/16-5 15/16	6-6⅛	—
Tokyo	6.59375	6.65625	—	6.53125	—	—
Milan	14⅛-14⅜	14⅛-14½	—	[illegible]	[illegible]	—
Brussels	7.10	8-8½	8¼-8½	8⅛-8⅜	8¼-8½	—
Dublin	10-10½	9⅞-10	9¾-10	9¾-10	9½-10¼	—

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, October 23, 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of October 23 at 11.00 a.m.
3 months: 8 3/16 6 months: 8 13/16

ECU=!US.83942 SDR1=!US1.96635
Sibor as of October 16 at 11.00 a.m.
3 months: 8 3/16 6 months: 8 13/16

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Grenada	E. Caribbean $	2.70	Paraguay	(Guarani (o.c.)	240.00
Albania	Lek	7.0408	Guadaloupe	Franc	8.0305		(Guarani (d)	720.00
Algeria	Dinar	4.863	Guam	U.S. $	1.00	Peru	Sol (o) (2)	13942.
Andorra	Fr. Franc	8.0305	Guatemala	(Quetzal (o)	1.00	Philippines	Peso	18.715
	Sp. Peseta	161.07		(Quetzal (h, l)	3.73	Pitcairn Is.	N.Z. Dollar	1.7809
Angola	Kwanza	29.918	Guinea Bissau	Peso	147.323	Poland	Zloty (o)	151.51
Antigua	E. Caribbean $	2.70	Guinea Rep	Syli	23.1493	Portugal	Escudo	163.25
Argentina	Austral (8)	0.801	Guyana	Dollar	4.12	PuertoRico	U.S. dollar	1.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

n.a. Not available. (m) Market rate. * U.S. dollars per National Currency unit. [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101	99	Exch. 11¼pc '86	100		11.74	11.19
99¼	97	Treas. 10pcCnv 1986	99½	–	10.05	11.13
96½	92¾	Treas 3pc 1986	96 xd		3.12	10.19
100	97½	Exch. 10½pc Cv '86	99 xd	–	10.52	11.01
101⅞	99⅝	Treas 12pc 1986	100½		11.94	11.05
98½	94¼	Treas. 8½pc 1984-86‡‡	98		8.64	10.76
105	102	Exch. 14pc 1986	102 xd		13.60	10.86
94½	87¼	Exch 2½pc 1986	94 xd		2.65	8.03
104	101¾	Exch. 13¼pc 1987	102¾	+	12.90	10.71
99	96⅝	Treas. 10¼pcCv '87	99		10.31	10.64
93¼	85½	Exch 2½pc 1987	93		2.69	8.12
100	96½	Exch. 10½pc 1987	99⅞	+	10.51	10.59
95	89	Funding 6½pc '85-87‡‡	95¼ xd	–	6.82	9.98
99	95½	Treas. 10pc 1987	99		10.10	10.61
91½	84¼	Treas 3pc 1987	91½		3.28	8.40
102	99⅛	Treas. 12pc 1987	102 xd		11.71	10.64
95	90¼	Treas 7¾pc 1985-88‡‡	94		8.16	10.28
100	95	Exch 10½pc '88	99 xd		10.51	10.56
98¼	93½	Treas 9½pc Cv '88	98	–	9.95	10.62
87	80	Transport 3pc '78-88	87		3.44	8.43
97	91	Treas. 9½pc '88	97 xd	–	9.75	10.62
102	97½	Treas 11½pc 1989	102	–	11.21	10.53
102	97½	[illegible]	97		9.79	10.55

Five to Fifteen Years

Over Fifteen Years

Undated

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DRAPERY & STORES—Cont.

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ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
45	34	Maclellan (P & W) 20p	44	−1	†1.7	2.3	5.5	9.1
77	46	Magnolia Group	74		2.6	3.0	5.0	9.0
48	38	Mainmet Hldgs 10p	42		—	—	—	68.6
480	202	Man. Ship Can. £1	465		5.5	3.5	1.7	24.4
104	70	Marley	92	+4	3.75	2.2	5.8	11.1
107	52	Marling Ind 10p	84	−1	d1.5	5.1	2.6	10.7
82	36	Marshall L'sy. 'A'	72		†2.4	4.9	4.8	5.2
77	55	Marshall's Universal	58		†2.0	1.4	5.8	(18.1)
86	78	Do. 7½pcCnRedPf £1	82		7½%	—	13.1	—
£99	£81	Mathesons 7¼%	£99		07¼%	2.3	18.0	—
35	15	Maxiprint 1p	15		—	—	—	—
520	375	Metal Box £1	512	+2	17.25	3.1	4.8	7.7
170	110	Metal Closures	119		6.7	2.0	8.0	7.4
17	3	Metal Sciences 2½p	6½		—	—	—	—
104	63	Midland Marts	80	+3	4.0	2.1	7.2	9.4
*83½	55½	Mitchell Cotts	69½	+1½	4.25	♦	9.1	♦
230	182	Morgan Crucible	205		18.0	1.6	5.7	14.0
33	22	Morris (W) F A. 20p	26½	−½	90.5	♦	2.7	♦
131	91	Moss (Robt.) 10p	126		3.0	2.5	3.4	13.9
81	60	Myson Grp 10p	61	+1	g2.5	3.4	6.0	11.4
328	214	NMW Computers	260xd		†b4.8	2.7	2.6	20.0
43	28	Nash Inds.	30		‡2.5	1.5	‡	6.9
48	16	Neil & Spencer 10p	18		—	—	—	5.4
44	14½	Newman Inds 10p	29xd		20.3	—	1.5	(15.7)
46	26	Nolton	43	−2	d1.17	♦	3.9	♦
196	146	Norcros	190		8.6	2.2	6.5	9.5
67	45	Nu-Swift 5p	49xd		†3.0	1.9	8.7	7.9
114	68	Oakwood Grp	105		†d4.5	1.4	6.1	(15.4)
250	190	Office & Elect	215		−†7.5	2.6	5.1	10.9

LEISURE—Continued

1985 High	Low	Stock	Price
210	177	Central TV N/V 50p	285
235	170	Chrysalis	230
52	7	Entertain Prod 5p	15
78	50	Fairline Boats 10p	74
391	228	First Leisure £1	387
69	51	GRA Group 5p	61
32	25	Grampian TVA 10p	30
167	117	HTV Non/Vtg.	152xd
148	78	Horizon	87
184	90	Insight	164
140	102	Intl Leisure 10p	117
232	115	Juliana's Hldgs 2p	127xd
300	217	LWT	282
38	25	Leisure Inv 10p	34
65	53	Leisuretime Int 10p	54
115	98	Lewmar	110
183	153	Media Tech Int 20p	165
205	124	Medminster 10p	163
280	175	Mays-World 10p	240
127½	70	Nationwide Leisure	74
39	14½	Nimslo Int 20c	15½
27	19½	Owners Abroad	22½
53	38	Photax (Lon.)	44
24½	19½	P'dilly Radio NV 5p	19½
90	30	Pineapple Dnc St 10p	50
316	183	Pleasurama 5p	326
153	209	Do 7pcCvCmRedPf	193
96	77½	Pres Entertain 50p	87xd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

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MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
350	117	Centennial Min'ls	162		—	—	—
120	48	Colby Res Corp	48	−2	—	—	—
550	225	Cons. Murch. 10c	225		g096½c	3.9	10.0
40	24	Emess Int Ir10p	30		—	—	—
123	93	Greenwich Res	98		—	—	—
215	115	Hampton Areas 10p	125	−2	3.75	0.9	4.0
260	135	Highwood Res.	150		—	—	—
£22½	£16½	Homestake Mining $1	£16½	−⅛	020c	—	0.9
310	155	McFinley Red Lake	240	−20	—	—	—
335	195	Mesto Explorations	225	−5	—	—	—
56	23	New Sabina Res C$1	42		—	—	—
375	195	Northgate C$1	200		—	—	—
685	530	RTZ	545	−2	†20.0	2.8	5.3
£145½	£116½	Do 9⅛pcLn 95-2000	£124½	+½	09½%	14.0	(7.8)
980	910	Tara Expln $1	925		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1985. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	98		Arnotts	212	+2
Craig & Rose £1	700		CPI Hldgs.	63	
Finlay Pkg. 5p	54		Carrol Inds.	140	
Higsons Brew	235		Dublin Gas	85	
Holt (Jos) 25p	715xd		Hall (R. & H.)	59	
IoM Stm. £1	87		Heiton Hldgs.	23	−1
IRISH			Irish Ropes	45	
Fund 11¾% 1988	£101⅛	−⅛	Unidare	108	
Nat. 9¾% 84/89	£96⅞	−¼	For Jacob (W. & R.) see Foods.		
Fin. 13% 97/02	£108⅝	−⅜			

"Recent Issues" and "Rights" Page 42 (International Edition Page 34)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Interest fades following gloomy economic surveys but equities hold their ground

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Oct 14	Oct 24	Oct 25	Nov 4
Oct 28	Nov 7	Nov 8	Nov 18
Nov 11	Nov 21	Nov 22	Dec 2

* "New-time" dealings may take place from 9.30 am two business days earlier.

Activity faded in all sectors of London stock markets after publication of a series of gloomy regional surveys on UK manufacturing prospects. The views of industrialists situated largely in the Midland and Northern parts of the country underline a recent CBI warning that business confidence was showing signs of faltering.

Third-quarter results of ICI also put a damper on trade and leading shares were finally content to consolidate the previous session's gains. ICI's figures were mainly in line with analysts' predictions, although one or two broking houses were sceptical and called them "none-too-inspiring." On first thoughts dealers lowered the price of the share to 645p but it quickly recovered to close a net 4 up at 659p.

The approaching end of the current trading Account — it closes at 3.30 pm today — was another deterrent to traders. Some "new-time" buying was reported of speculative stocks and issues considered possible takeover targets but the broad range of industrial shares were neglected. However, the FT Ordinary share index along with the FT-SE 100-share index attained record inter-day levels before drifting back to show little change on balance. The FT Ordinary closed 0.3 higher at 1,051.6.

Of the sectors, Foods and Building issues were notably firm. United Biscuits were strongly supported and rose 8 to 196p amid talk of a market re-rating and revived speculation that the group was being stalked by a U.S. predator; the warrants were also active and gained 6 to 70p following stories of a stake having been built up. Brook Street Bureau responded to an agreed share exchange, or cash alternative, offer from Blue Arrow.

Renewed dollar firmness which took sterling down a cent or so made for dullness in the Gilt-edged market. Light selling found buyers again in unresponsive mood and longer maturities lost ¼. The shorts were more resilient and showed only minor losses.

NatWest easier

Small sellers held sway in the major clearing banks where closing falls ranged to 7, as in NatWest, at 696p. Lloyds eased 4 to 448p and Barclays and Midland declined 5 to the common level of 418p. Discount Houses continued to reflect Clive's gloomy interim report. Clive softened a penny more to 37p, while Smith St Aubyn dropped 5 to 37p. Union gave up 10 to 650p; the company is acquiring a near-15 per cent stake in Aitken Campbell, a Glasgow-based stockjobbing concern.

Composites displayed an irregular appearance after a moderate trade. GRE, at 705p, and Royals, at 723p, rose 12 and 11 respectively, while General Accident gained 17 to 680p but Commercial Union eased the turn to 253p. Elsewhere, Press comment resurrecting U.S. takeover hopes left Hogg Robinson 2 dearer at 282p among Lloyds brokers.

Breweries remained quietly irregular. Bass, still reflecting stock shortage, advanced 10 for a two-day rise of 20 at 638p. Occasional interest was noted for Whitbread A, 5 to the good at 245p, but Scottish and Newcastle were a nervous market and eased the turn to 173p, while Matthew Brown shed a few pence to 443p. Distillers, dull recently following profit-taking in the absence of bid developments, rallied 7 to 430p. Cider makers H. P. Bulmer spurted 13 to 170p on Press comment and further consideration of an encouraging circular from brokers Earnshaw Haes.

Building shares continued to move higher with sentiment still being helped by hopes of increased Government spending. Blue Circle, 576p, and Redland, 339p, rose 8 and 7 respectively, while rises of around 5 were recorded in John Laing A, 312p, RMC, 464p, and Taylor Woodrow, 515p. SGB reacted to 254p before settling 6 down at 260p; bidder BET closed 3 easier at 335p which makes the share exchange offer worth around 251p. C. H. Beazer, which has withdrawn its partial tender offer for SGB, hardened 4 to 472p. Elsewhere, speculative demand left Ward Holdings 14 to the good at 224p.

Chemicals were featured by Anchor, which slumped 30 to 175p on the interim profits setback.

Etam lose ground

Etam, at 216p, lost Wednesday's gain of 6 following a cautious Press reaction to the interim statement. French Connection were similarly affected and shed 10 to 235p. Goodman Brothers, on the other hand, advanced 3 to 27p despite announcing dismal preliminary results. Goldsmiths continued to recover ahead of next Monday's interim results and added 6 more at 173p, while Lincroft Kilgour were also wanted at 185p, up 7. Leading Stores failed to capitalise on recent strength and generally gave modest ground in extremely subdued trading.

A few firm features emerged among secondary Electricals, but leading stocks continued to be ignored. Pressac advanced 7 to 118p, after 123p, in reply to the second-half profits recovery, while Amstrad jumped 12 to 168p, after 170p, in belated response to Press comment. Buyers came for NEI following a stockbroker's visit to the company and the close was 2 higher at 85p, after 87p. Arlen touched 73p before closing 5 dearer at 70p. Thorn EMI closed 14 lower at 372p.

Trading statements prompted several good movements in the Engineering sector. McKechnie Bros. responded to the increased dividend and annual profits with a rise of 9 to 144p, while Manganese Bronze, also reflecting satisfactory preliminary figures, rose 5 to 59p. Revived speculative activity left Thomas Robinson 8 to the good at 145p. Other bright spots included ML Holdings, 10 higher at 323p, and Wire and Plastic, 5 better at 168p. Dealings were temporarily suspended in RTD at 26p, up 2½; the company announced that it was engaged in discussions which which may lead to a merger. Among the leaders, further sporadic demand left Hawker 6 up at 409p.

Takeover speculation revived strongly in the Food sector. Apart from the strength of United Biscuits, RHM also responded to aggressive support while Unigate were notable for a rise of 11 at 217p. Associated Dairies put on 4 to 146p and Associated British Foods, still reflecting a recent broker's circular, rose 6 more to 258p. Elsewhere, Meadow Farm Products gained 10 to 390p.

Reckitt & Colman up

Many leading miscellaneous Industrials finished a shade easier for choice, but Reckitt and Colman, overlooked of late encountered demand and closed 17 to the good at 595p. Elsewhere, Brook Street Bureau rose 8 to 170p on the one-for-one share exchange offer from Blue Arrow, which fell 10 to 170p. Buying interest revived in Booker McConnell, 8 to the good at 283p, while revived speculative demand left Marley 4 higher at 92p. Rank Organisation were briskly traded and settled 10 higher at 460p, after 467p, but SI Group slumped 10 to 20p on the annual loss. Investment support persisted for Charter Consolidated, which put on 5 further to 212p, and J. Billam came to life with a rise of 5 to 85p, Low and Bonar rose 8 to 360p on the third-quarter figures from Low and Bonar Inc.

Buyers returned for Jaguar which advanced 5 more to 310p, after 312p. In contrast, Lucas Industries were friendless and fell 10 to 426p.

Movements of note among Paper/Printing were rare but sporadic interest lifted DRG 3 to 221p. Among advertising counters, revived speculative support raised Aidcom International 8 to 64p, but Geers Gross lacked interest and dipped 4 to 71p.

Leading Properties made modest progress with Land Securities and MEPC both 3 higher at 315p and 314p respectively. Elsewhere, Regalian advanced 10 to 325p following renewed support ahead of next month's trading statement, while Chesterfield responded to the 18 per cent rise in interim profits and closed 5 dearer at 480p. Stockley hardened a penny to 74p behind press suggestions of a possible bid from Stock Conversion. Belgrave added 6 afresh to 100p. Bairstow Eves were again the subject of takeover chatter and closed 2 up at 115p, after 117p. Peachey Property 10¾ per cent 2015, placed recently at £93.43, attained a premium in first-time dealings; in £25-paid form, the stock closed at 25⅛.

British and Commonwealth Shiping were particularly volatile; marked up to a new high of 355p in immediate response to the better-than-expected interim profits, the shares thereafter encountered widespread profit-taking and finished 10 cheaper on balance of 328p.

South African Industrials staged a useful rally on currency influences. Barlow Rand, 227p, and South African Breweries, 150p, improved 17 and 7 respectively. Dealings in Unisec were suspended at 110p after similar action in Johannesburg.

Oils edge higher

The oil majors registered further modest gains helped by another improvement in spot oil prices. Shell moved up to close 8 higher at 688p following third quarter results from U.S. associate Shell Oil. BP edged up a couple of pence more to 565p. Britoil remained a firm market and put on 5 to 215p. Secondary oils were highlighted by continued strength in Invent Energy which jumped 25 to 380p, after a record 385p, following the subdivision of the shares from 25p to 5p. In the Irish sector Bryson Oil and Gas attracted speculative demand and touched 125p prior to closing a net 7 firmer at 122p. Recovery hopes boosted Jackson Exploration 4 to 26p while among other U.S. exploration issues Firstland rose 5 to 110p, after 120p. The general rally in South African stocks left SASOL 4 better at 170p. Australia's Oil Search, on the other hand, dropped 6 to 44p in the absence of any news from its oil exploration operations in Papua New Guinea.

Among Overseas Traders, Lonrho hardened 3 for a two-day advance of 9 at 158p following another lively traded option business which partly reflected persistent talk of a substantial stakeholding changing hands. Inchcape revived with a gain of 5 to 330p, but further consideration of the disappointing half-timer clipped 6 more from REA at 227p.

South African mining markets took heart from the continued stability of the Financial Rand and extended Wednesday's late recovery movement. Overnight American support followed through into London trading early yesterday and Golds responded with good initial rises. Thereafter, persistent buying interest from numerous Johannesburg and Continental operators kept share prices on an upward tack and the Gold Mines index responded with a 12.3 rise to 262.5—its first improvement for seven trading sessions. Sterling quotations received an additional boost from the easier trend in the pound against the dollar.

In the leading Golds, Randfontein were outstanding and advanced £2¾ to £48¾ while Vaal Reefs improved £2 to £41¼ and Southvaal £1¼ to £20½. Other firm features included Buffels, £16¾, Western Deep, £20½, President Steyn, £14¼ and Western Holdings, £16⅞, all of which showed rises ranging from ½ to ¾. The cheaper priced issues showed Hartebeest 18 to the good at 248p and Elandsrand 20 higher at 365p.

South African Financials mirrored the sharp gains in Golds with "Johnnies" £3 up at £51.

Australians were marked up at the outset following yet another firm showing by Sydney and Melbourne overnight. The leading diversified counters were featured by renewed strength in MIM Holdings, 4 up at 133p, and Renison, 3 better at 298p, reflecting their substantial interests in the highly promising Porgera goldsilver prospect in Papua New Guinea.

Golds managed minor gains across the board. Central Norseman put on 10 to 368p, Gold Mines of Kalgoorlie 5 to 475p and Poseidon a like amount to 186p.

Total contracts done in Traded Options amounted to 10,105—6,717 calls and 3,388 puts. For the second successive session, attention centred on Lonrho positions which recorded 1,288 calls, 591 in the November 160s, and 748 puts. Trading in Thorn EMI options get off to a relatively subdued start with 158 calls struck.

FINANCIAL TIMES STOCK INDICES

	Oct. 24	Oct. 23	Oct. 22	Oct. 21	Oct. 18	Oct. 17	year ago
Government Secs	84.35	84.47	84.47	84.55	84.57	84.33	80.63
Fixed Interest	90.36	90.36	90.36	90.34	90.28	90.22	84.29
Ordinary *	1051.6	1051.3	1041.0	1048.0	1050.9	1043.3	870.0
Gold Mines	262.5	250.2	253.8	272.7	282.5	284.8	551.6
Ord. Div. Yield	4.59	4.59	4.63	4.65	4.60	4.65	4.87
Earnings, Yld. % (full)	11.23	11.24	11.35	11.38	11.26	11.35	11.63
P/E Ratio (net) (*)	10.99	10.98	10.88	10.85	10.97	10.88	10.53
Total bargains (Est.)	22,052	23,142	24,135	24,253	24,207	22,988	18,893
Equity turnover £m.	—	416.2	412.74	382.75	508.88	638.41	341.91
Equity bargains	—	21,837	22,431	24,257	22,408	22,977	18,074
Shares traded (ml)	—	202.1	199.3	177.6	235.0	297.2	190.1

10 am 1052.9. 11 am 1052.6. Noon 1052.0. 1 pm 1051.0.
2 pm 1050.8. 3 pm 1051.6. 4 pm 1052.2.
Day's High 1053.2. Day's Low 1050.5.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
† Corrected figure.
Latest Index 01-246 8026.
* Nil = 10.60.

HIGHS AND LOWS — S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low		Oct. 23	Oct. 22
					Daily Gilt Edged Bargains	109.5	118.4
Govt. Secs.	84.57 (18/10)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)	Equities Bargains	141.5	145.3
Fixed Int.	90.38 (25/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)	Value	841.2	834.2
Ordinary	1051.6 (24/10)	911.0 (26/7)	1051.6 (24/10/85)	49.4 (26/6/40)	5 day Average Gilt Edged Bargains	131.7	135.7
Gold Mines	536.9 (15/4)	250.2 (23/10)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	147.6	146.6
					Value	941.5	970.0

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Abbey Life	219	− 1
Amersham Intl.	321	+ 6
Brit. & Commonwealth	328	−10
Caledonia Invs.	308	− 7
DRG	221	+ 3
Euro. Ferries	151	—
Hawker Siddeley	409	+ 6
ICI	659	+ 4
Mckechnie Bros.	144	+ 9
Manganese Bronze	59	+ 6
Shell Transport	688	+ 8
Sound Diffusion	45½	−1½

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
BET Defd.	19	338	− 2
SGB	18	266	+40
Boots	17	209	+ 9
Euro. Ferries	16	151	+ 4½
ICI	15	655	+ 8
BP	13	563	+13
Jaguar	13	305	+ 8
Lonrho	13	155	+ 6
Abbey Life	12	220	− 9
Midland Bank	12	423	+ 8
RTZ	12	547	+12
Unilever	11	£11⅝	+ 0⅛

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
DM150	Nil	—	90pm	55pm	BASF A.G. DM 50	70½pm	+ ½
11	F.P.	11/11	11⅛	10½	Blacks Leisure 10p	10½	.....
65	Nil	—	11pm	8pm	Brasway 10p	10½pm	.....
48	F.P.	22/11	65	57	Burns-Anderson 10p	60	.....
85	F.P.	11/11	135	105	City Site Estates	125	.....
60	Nil	21/11	22pm	15pm	Crowther (J)	15pm	.....
165	F.P.	6/11	219	180	DRG	219	+1
210	F.P.	22/11	246	240	Emess Lighting	246	.....
100	Nil	—	36pm	28pm	Garfunkels' Rest. 10p	36pm	.....
5	Nil	30/10	12pm	3pm	Howard & Wyndham 5p	12pm	.....
10	F.P.	12/11	11	10	✠Humberside Elect. 20p	10	.....
225	Nil	6/12	83	65	ML Hldgs	83	.....

For Greenfields Black see Blacks Leisure.

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment letters or fully paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (130)

INT. BANK & O'SEAS GOVT. STLG. ISSUES (2)
BANKS (3)
BREWERS (4)
BUILDINGS (14)
CHEMICALS (4)
STORES (7)
ELECTRICALS (5)
ENGINEERING (6)
FOODS (11)
HOTELS (2)
INDUSTRIALS
INSURANCE (5)
NEWSPAPERS (1)
PAPER (3)
PROPERTY (5)
SHIPPING (1)
TEXTILES (2)
TRUSTS (30)
OILS (1)
OVERSEAS TRADERS (1)
Ranger Oil
REA
MINES (5)
Cons. Modderfontein Coloy Resources Central Pacific Homestake Mining Southern Pacific

NEW LOWS (35)

BRITISH FUNDS (1)
Convers'n 9½pc 2005
INTL. BANK & O'SEAS GOV'T. ISS. (1)
Finland 14¼pc Ln '86
AMERICANS (4)
Amax Damson Oil
Beth. Steel Martin Marietta
CANADIANS (2)
Inco Trans. Can Pipe
BUILDINGS (1)
Henderson Group
ELECTRICALS (3)
Compsoft Petbor. Hldgs.
Micro Scope
HOTELS (2)
Aberdeen Stk Houses Norscot
INDUSTRIALS (4)
ICC Oil Rockware
Peek SI Group
INSURANCE (1)
Abbey Life
LEISURE (1)
Sea Co. Inc.
MOTORS (2)
BL ERF
PAPER (1)
Ogilvy Group
TRUSTS (1)
North Sea Assets
OILS (5)
Atlantic Resources Sceptre Resources
New London Oil Tuskar Resources

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Oct 7	Oct 18	Jan 9	Jan 20
Oct 21	Nov 1	Jan 23	Feb 3
Nov 4	Nov 15	Feb 6	Feb 17

For rate indications see end of Unit Trust Service

Call options were taken out in Falcon Resources, Hampton Areas, RTD, Barker and Dobson, Pavion, Ashley Industrial Trust, Eglinton Oil and Gas, Manganese Bronze, Bryson, Carpets International, Fiv Oaks and Distillers. A put was done in Bestwood, but no doubles were reported.

RISES AND FALLS YESTERDAY

RISES & FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	70	36
Corpns. Dom. & Foreign Bonds	10	18	83
Industrials	328	204	954
Financials & Props.	149	57	354
Oils	28	22	77
Plantations	4	1	13
Mines	61	27	98
Others	73	43	94
Totals	655	442	1,689

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thurs Oct 24 1985 — Wed Oct 23 — Tues Oct 22 — Mon Oct 21 — Year ago (approx.)

[illegible]

FIXED INTEREST

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
[illegible]							
NEDL C Fl.190	934	5.80	19	9.70	—	—	Fl.193
NEDL P Fl.180	132	3.70	8	6	11	10 B	"
NATN C Fl.75	461	2.60	145	3.90	—	—	Fl.73.80
NATN P Fl.75	16	3	85	3.50	—	—	"
PHIL C Fl.50	1158	1.80	1370	2.90	1344	3.70	Fl.49.60
PHIL C Fl.55	363	0.70	912	1.40	13	1.80	"
PHIL P Fl.48	233	0.80	527	1.40	26	1.90	"
PHIL P Fr.50	667	2.50	51	3.20	36	4.30	"
RD C Fl.200	790	2.80	550	5.70	8	6.30	Fl.189.30
RD C Fl.300	550	11	5	11.50	—	—	"
ROBE C Fl.77.50	28	2.50	18	3.50	—	—	Fl.78.30
ROBE P Fl.75	—	—	25	1.80	—	—	"
UNIL C Fl.340	402	10.60	27	14.70	16	20	Fl.338.50
UNIL P Fl.340	189	12	18	18	—	—	"

TOTAL VOLUME IN CONTRACTS: 42,285
A=Ask B=Bid C=Call P=Put

WORLD STOCK MARKETS

AUSTRIA

Oct. 24	Price Schg	+ or −
Creditanst'lt ppd	366	−2
Goesser	495	−5
Interunfall	1,375	−15
Laenderbank	335	−2
Perimooser	638	
Stey-Daimler	147	+1
Veitscher Mag	700	−15

BELGIUM/LUXEMBOURG

Oct. 24	Price Frs.	+ or −
B.B.L.	2,400	−145
Banq. Gen. Lux.	8,550	
Banq. Int.A.Lux	8,080	+50
Bekaert	7,000	
Ciment CBR	2,860	−30
Cockerill	222	+7
Delhaize	8,500	−100
EBES	3,700	−15
Electrobel	10,600	

CANADA

TORONTO

Prices at 2.30pm October 24

MONTREAL

Closing prices October 23

Indices

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

Continued from Page 43

LONDON

Chief price changes

(in pence unless otherwise indicated)

RISES

Aidcom Intl	64	+ 8
Amstrad	168	+12
Ass Brit Foods	268	+ 6
Booker McC	283	+ 8
Brook St	170	+ 8
Bulmer (HP)	170	+13
Goodman Bros	27	+ 3
ICI	659	+ 4
Invent Energy	380	+25
Jackson Explo	26	+ 4
McKechnie Bros	144	+ 9
Mang Bronze	59	+ 5
Pressac	118	+ 7
Rank Org	460	+10
RHM	166	+ 6
Regalian Prop	325	+10
Unigate	217	+11
Un Biscuits	196	+ 8
Ward Hldgs	224	+14

FALLS

Anchor Chem	175	−30
Blue Arrow	173	−10
Lucas Inds	426	−10
Oil Search	44	− 6
SI Group	20	−10

SPAIN Madrid SE (28/12/84)	125.75	125.87	125.25	124.61	125.97 (23/10)	101.48 (2/1)
SWEDEN Jacobson & P (1/1/58)	1458.72	1408.96	1404.19	1400.69	1458.98 (11/2)	1285.32 (9/7)
SWITZERLAND Swiss Bank Cpn (31/12/58)	506.4	498.6	496.0	492.5	506.4 (24/10)	386.7 (5/1)
WORLD Capital Intl. (1/1/70)	—	229.7	228.9	226.5	229.7 (23/10)	184.6 (4/1)

** Saturday October 19: Japan Nikkei-Dow 13,015.7. TSE 1,034.06.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

North American quarterly results

Continued from Page 22

Prices at 3pm, October 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅜	16	AAR	.56	2.5	15	24	23	22½	22½	−½
17⅜	9¾	AGS			12	202	15½	15	15½	+¼
50¾	29¾	AMR			7	1988	40⅞	40½	40½	
23⅜	18⅝	AMR pf	2.18	9.4		5	23¼	23¼	23¼	
25⅞	23	ANR pf	2.67	11		3	23⅝	23⅝	23⅝	−⅛
61⅛	34¾	ASA	2	5.5		102	37⅛	36½	36⅝	−¼
27	10½	AVX	.32	2.9	16	215	11¼	10⅞	10⅞	−⅝
28⅛	19¼	AZP	2.72	11.	7	411	25⅝	25¼	25⅜	−⅛
60	36⅝	AbtLab	1.40	2.4	15	897	57¾	57	57⅜	
25⅞	19⅝	AccoWd	.50	2.2	17	64	23⅜	23⅛	23⅛	
24¾	12	AcmeC	.40	3.4		42	12⅛	d11½	11¾	−¼
10½	7⅜	AcmeE	.32b	4.3	11	2	7½	7½	7½	
19	15½	AdaEx	1.92e	11.		35	17⅝	17⅝	17⅝	
20	13½	AdmMl	.32	1.7	8	9	18½	18⅜	18⅜	−¼
16⅛	8⅝	AdvSys	.53t	3.7	21	90	14⅝	14⅛	14⅝	+½
36⅞	22⅞	AMD			37	6476	25⅞	25	25⅜	+1
12⅛	6⅞	Advest	.12	1.4	19	89	8¾	8½	8½	−¼
15⅞	10	Aerflex			13	119	15½	15¼	15⅜	+⅛
49⅝	34⅜	AetnLf	2.64	5.6	16	3011	48½	47⅛	47⅛	−⅞
57½	53¼	AetL pf	5.41e	9.7		28	56	55⅞	56	
37⅜	22⅞	Ahmns	1.20	3.3	6	2137	36	35½	36	+¾
3⅝	2½	Aileen				39	2¾	2⅝	2⅝	
57	43⅜	AirPrd	1.48	2.7	12	722	54⅞	54⅜	54¾	+⅜
24⅜	17½	AirbFrt	.60	2.7	13	52	22	21¾	22	+⅛
2⅛	1¼	AlMoa s	.10e	5.7		17	1¾	1⅝	1¾	+⅛
33⅜	29¼	AlaP pfA	3.92	13.		7	31⅛	31⅛	31⅛	−¼
8⅛	6⅝	AlaP dpf	.87	11.		3	7⅞	7⅞	7⅞	−⅛
82	65¼	AlaP pf	9	11.		z340	80⅛	80⅛	80⅛	−¼
26⅜	12½	AlskAir	.16	.8	8	1788	20	19	19¾	+⅞
25	12½	Alberto s	.38	1.6	17	14	23¾	23½	23½	−½
33¼	26⅝	Albtsns	.76	2.5	12	146	30⅛	29⅝	30	+⅛
31¼	23¼	Alcan	1.20	4.9	47	987	24¼	24	24¼	+¼

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from Page 42

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
34	21½	Pioneer	1.24	5.3	5	507	23¾	23⅛	23¼	−½
26¾	13½	PionrEl	.08e	.5		1	15⅝	15⅝	15⅝	
45½	31½	PitnyB	1.20	2.9	11	283	41¼	40¾	41	+¼
80	63	PitnB	pf2.12	2.6		2	82	82	82	+2½
14½	9⅝	Pittstn				585	13⅝	13⅜	13½	−⅛
21	17	PlanPt n				128	19⅜	19	19⅜	+⅜
19	9½	PlanRs	.20	1.2	19	93	17¼	17⅛	17¼	+⅛
11¾	7	Plantrn	.16b	1.3	13	144	u12¼	11¼	12¼	+1
13⅝	7¾	Playboy			12	54	8⅝	8¼	8⅝	+⅛
28½	18½	Plessy	.64e	3.2	13	2	20	20	20	+¼
19⅞	11⅝	PogoPd	.60	4.6	63	392	13⅜	13	13¼	+⅛
38⅞	24¼	Polaroid	1	2.7	55	463	37⅞	37½	37½	−½
16½	10½	Pondrs	.40	.3	33	2383	15⅛	14⅝	15	+⅜
21½	15¼	PopTal	.80	4.5	81	140	17⅞	17⅝	17¾	
22¾	14⅝	Portec	.50a	3.1	27	1	16¼	16¼	16¼	
21⅞	15½	PortGE	1.90	9.9	8	270	19½	19¼	19¼	−⅛
108	93½	PoG	pf11.50	11.		z20	105	105	105	
35⅝	31	PorG	pf4.40	13.		19	33⅝	33⅜	33⅜	−⅛
34⅝	30⅜	PorG	pf4.32	13.		29	33⅜	32⅞	33⅜	−⅛
38⅛	28⅜	Potlch	1.56	4.4	14	65	35¾	35	35¼	−¼
34	23⅝	PotmEl	2.16	7.1	9	283	30⅜	30⅛	30⅜	+⅛
97½	68	PotEl	pf2.44	2.8		1	87¾	87¾	87¾	+½
25½	18⅞	Preml	s .36	1.5	18	150	24¼	24	24¼	+⅛
42⅝	31⅛	Primrk	2.26	5.2	9	71	u42½	42¼	42½	+⅜
20⅝	14½	PrimeC			16	728	18½	18	18⅝	−¼
37	16½	PrimM	s.09	.3	27	45	34¾	34½	34½	−¼
59⅞	50⅝	ProctG	2.60	4.3	16	4302	u60½	59¼	60⅜	+⅞
15	8	PrdRs	s		23	31	14½	14¼	14¼	−¼
47¼	35½	Profer	1.40	3.6	15	17	38¾	38½	38½	−⅜
2⅛	2	PruRC n				205	2	2	2	
8⅛	8	PruRf n				246	8	8	8	
24¼	18	PSvCol	2	10.	8	1051	19¾	19⅛	19¼	−⅜
70	53½	PSCol	pf7.15	11.		z180	64½	63	63	−2½
21¼	16⅞	PSCol	pf2.10	11.		7	20⅛	20	20	
10⅛	6⅞	PSInd	1	11.	10	140	8⅞	8⅝	8¾	
8⅞	7	PSIn	pf 1.08	13.		z530	8¼	8⅛	8¼	
53	41	PSIn	pf 7.15	14.		z70	50	50	50	+¾
71	52½	PSIn	pf 9.44	14.		z280	65½	65½	65½	−¾
63	48	PSIn	pf 8.52	14.		z400	60½	59½	59½	
8¾	3½	PSvNH			3	352	7⅝	7⅝	7⅝	+¼
16⅞	6⅝	PSNH pf				z60	15	15	15	−½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, October 24

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

High volume supports firm tone

DEMAND continued to grow for second-line issues on Wall Street yesterday as blue-chip stocks consolidated recent gains, *writes Terry Byland in New York.*

Trading remained heavy although there was a decline in activity in technology stocks after two strong sessions.

At 3pm the Dow Jones industrial average was down 0.78 at 1,366.38.

Utility issues, the stock market indicator for interest-rate expectations, moved higher, rejecting nervousness in the credit markets. Federal funds are firmly above 8 per cent, which has brought some suggestions that the Fed might be tightening credit policies.

However, many analysts believe Fed policies are unchanged and that bonds are weakening ahead of the flood of Treasury issues expected to follow Senate clearance for the new federal debt ceiling.

Insurance stocks, which would also benefit from lower rates, were strong. TransAmerica, at $31⅞, gained $1¾ but denied rumours of a leveraged buyout. General Reinsurance added $⅞ to $89½ and Chubb $⅝ to $72⅝.

Weakness in the Detroit car makers helped unsettle the major market indices. After confirming that car sales dipped sharply in mid-October as the generous financing plans expired, General Motors eased $½ to $65⅞ and Ford $⅝ to $46½. Reports of lingering bitterness at Chrysler despite settlement of a strike let it down $¼ at $38½.

After a slow start, IBM edged ahead by $⅛ to $130⅝, but the other computer leaders remained dull. Honeywell shed $¼ to $60⅞ and Burroughs $⅝ to $56⅛. Sperry, still on the market's list of bid targets, showed no response to the fall in profits, holding unchanged at $47¾.

Oil stocks were either side of overnight levels as the results from the majors continued to flow. Exxon, at $55⅝, eased $⅛.

Higher earnings helped Texaco to gain $½ to $38¾, while unexciting figures left Pennzoil down $¼ at $47½.

Standard Oil of Ohio (Sohio) fell $1¼ to $53⅞ as speculators showed disappointment that the profits statement said nothing about recent rumours that British Petroleum might buy up outstanding shares.

On the American Stock Exchange, American depositary receipts (ADRs) of Imperial Chemical of the UK shaded by $⅛ to $37⅞ in sluggish turnover following the results. Also on the Amex, Total Petroleum added $½ to $15¼ on the profits news.

Heavy block trading in Union Carbide pushed the stock ahead by $⅞ to 59⅞ as takeover speculation was renewed. Another favourite back in the limelight was ITT, up $⅝ at $36⅛.

Lower profits knocked $3 off the McDonnell Douglas share price although, at $68½, there was little selling. Lockheed, due to report profits soon, dipped $⅞ to $45⅞, but Boeing, still benefiting from its large order from Northwest Airlines, gained $⅝ to $47⅞.

On the consumer stock trading desks, Procter & Gamble added $½ to $60 after the profits statement. But unimpressive earnings left Dart & Kraft, the Tupperware and processed food group, down $⅜ at $38⅞ and Quaker Oats, a takeover favourite, $⅝ up at $56⅛. A weak spot was Loews Group, down $⅝ at $45⅞ after suggestions in the investment press that too high a price had been paid for stock in CBS, which fell $1½ to $113¼.

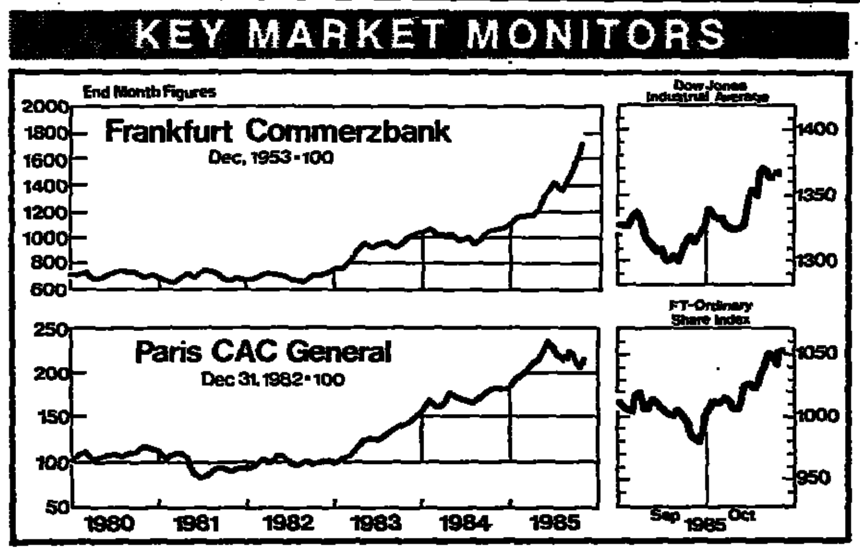
Recent takeover moves in the oil and gas industry brought heavy turnover in several issues. Texas Oil & Gas added $1⅛ to $19⅞ and Northern Industrial Public Service was active although remaining unchanged at $10⅝.

A Delaware court ruling against its lock-up defence against the Pantry Pride bid took only $¼ off Revlon at $56⅝, but trading was heavy as the market took the hint that Pantry could now proceed with its $58-a-share tender although it said it would not do so before noon yesterday.

Stock in SCM, defending itself with a similar device against Hanson Trust of the UK, edged up $⅛ to $73.

In the credit markets, short-term rates edged ahead behind the firm federal funds rate, which was unaffected by another slide of $1.5bn in customer repurchases by the Fed. Bonds steadied from early falls, but trading remained thin.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Oct 24	Previous	Year ago
DJ Industrials	1,367.72*	1,367.16	1,216.43
DJ Transport	658.71*	660.81	533.08
DJ Utilities	159.06*	157.88	142.64
S&P Composite	189.32*	189.09	167.20
LONDON			
FT Ord	1,051.6	1,051.3	870.0
FT-SE 100	1,349.6	1,346.4	1,125.4
FT-A All-share	656.81	654.87	534.21
FT-A 500	718.11	715.98	580.49
FT Gold mines	262.5	250.2	551.6
FT-A Long gilt	10.17	10.15	10.43
TOKYO			
Nikkei-Dow	12,969.08	12,946.53	11,178.6
Tokyo SE	1,025.50	1,025.70	857.44
AUSTRALIA			
All Ord.	1,051.8	1,046.0	747.6
Metals & Mins.	532.3	530.2	437.6
AUSTRIA			
Credit Aktien	98.04	98.32	56.87
BELGIUM			
Belgian SE	2,768.91	2,755.26	–
CANADA			
Toronto			
Metals & Minls	1,799.7*	1,796.36	1,940.00
Composite	2,647.0*	2,652.97	2,372.70
Montreal			
Portfolio	127.62*	128.12	116.95
DENMARK			
SE	n/a	236.11	167.05
FRANCE			
CAC Gen	215.8	211.8	181.1
Ind. Tendance	121.6	119.3	97.4
WEST GERMANY			
FAZ-Aktien	582.03	576.25	370.33
Commerzbank	1,720.1	1,704.0	1,082.2
HONG KONG			
Hang Seng	1,670.51	1,668.71	1,054.31
ITALY			
Banca Comm.	394.29	395.89	211.43
NETHERLANDS			
ANP-CBS Gen	223.2	218.9	180.9
ANP-CBS Ind	202.4	197.5	142.3
NORWAY			
Oslo SE	379.58	377.31	261.48
SINGAPORE			
Straits Times	781.16	774.13	867.59
SOUTH AFRICA			
JSE Golds	–	1,109.5	1,028.8
JSE Industrials	–	965.8	885.9
SPAIN			
Madrid SE	125.75	125.97	103.88
SWEDEN			
J & P	1,430.72	1,408.96	1,463.13
SWITZERLAND			
Swiss Bank Ind	499.6	499.6	378.7
WORLD	Oct 23	Prev	Year ago
Capital Int'l	229.7	228.9	185.1

COMMODITIES

(London)	Oct 24	Prev
Silver (spot fixing)	432.05p	432.70p
Copper (cash)	£993.00	£992.25
Coffee (Nov)	£1,762.50	£1,661.00
Oil (spot Arabian Light)	$27.75	$27.75

GOLD (per ounce)

	Oct 24	Prev
London	$326.50	$326.50
Zürich	$326.25	$326.50
Paris (fixing)	$327.00	$327.97
Luxembourg	$326.15	$327.00
New York (Dec)	$326.90*	$329.00

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Oct 24	Previous	Oct 24	Previous
$	–	–	1.4215	1.434
DM	2.6495	2.638	3.765	3.7825
Yen	216.65	215.75	308.0	309.5
FFr	8.075	8.04	11.4775	11.53
SwFr	2.171	2.164	3.085	3.1025
Guilder	2.9895	2.9775	4.25	4.27
Lira	1,786.0	1,780.0	2,538.75	2,552.5
BFr	53.65	53.45	76.25	76.65
C$	1.3657	1.364	1.942	1.9555

INTEREST RATES

Euro-currencies (3-month offered rate)	Oct 24	Prev
£	11⅝	11⅝
SwFr	4⅝	4⅝
DM	4 13/16	4 13/16
FFr	9⅝	9⅝
FT London Interbank fixing (offered rate)		
3-month U.S.$	8¼	8 5/16
6-month U.S.$	8 5/16	8 5/16
U.S. Fed Funds	8 3/16*	8⅛
U.S. 3-month CDs	7.90*	7.80
U.S. 3-month T-bills	7.235*	7.22

U.S BONDS

Treasury		Oct 24* Price	Oct 24* Yield	Prev Price	Prev Yield
8⅞	1987	100	8.875	99 31/32	8.90
10⅝	1992	101 23/32	9.958	101 24/32	9.97
10½	1995	102 6/32	10.12	102 6/32	10.12
10⅝	2015	102 6/32	10.386	102 6/32	10.38

Treasury Index Maturity (years)	Oct 24* Return index	Day's change	Yield	Day's change
1–30	129.97	−0.03	9.61	+0.01
1–10	128.52	−0.02	9.32	+0.02
1– 3	125.50	0	8.78	+0.02
3– 5	129.99	−0.08	9.58	+0.03
15–30	135.01	−0.06	10.66	+0.01

Source: Merrill Lynch

Corporate	Oct 24* Price	Oct 24* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101	10.10	101	10.10
3⅞ July 1990	83¼	8.30	83¼	8.30
8⅝ May 2000	84	10.97	84	10.97
Xerox				
10⅝ Mar 1993	100½	10.52	100½	10.52
Diamond Shamrock				
10⅝ May 1993	98½	10.90	98½	10.90
Federated Dept Stores				
10⅝ May 2013	94⅜	11.25	94⅜	11.25
Abbot Lab				
11.80 Feb 2013	103⅝	11.90	103⅝	11.90
Alcoa				
12¼ Dec 2012	98⅜	12.15	98⅜	12.15

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	77-06	77-07	76-25	77-08
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.87	92.89	92.82	92.90
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.05	92.06	92.05	92.13
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.74	91.81	91.73	91.81
20-year Notional Gilt £50,000 32nds of 100%				
Dec	113-19	113-23	113-14	113-23

* *Latest available figures*

AUSTRALIA

New heights scaled as BHP firms

THE CLIMB to new peaks continued in Sydney yesterday led largely by heavy trading in BHP ahead of the expiry of its October options series.

The All Ordinaries index broke through the 1,050 mark to its fourth consecutive record, closing 5 higher at 1,051.7. Turnover, at 64.8m shares, was well up on the previous session's 41.6m.

BHP, with 12.1m shares traded, added 14 cents by the end of the day to A$9.04 as investors responded enthusiastically to Mr Robert Holmes à Court's one-for-seven rights issue of options on the group's shares. Meanwhile, his Bell Group added 3 cents to A$11.80.

Golds and minings firmed with the trend and were also helped by higher copper prices. Central Norseman was 20 cents up at A$7.50, Kidston added 10 cents to A$5.50, Renison rose 14 cents to A$6.20 and MIM closed 8 cents up at A$2.75.

Banks were mixed with Westpac up 2 cents to A$5.16, National Australia steady at A$4.96 and ANZ Group 4 cents down at A$5.10.

LONDON

GLOOMY economic surveys sapped interest in London although shares held firm and the FT Ordinary share index closed a meagre 0.3 higher at a record 1,051.6.

ICI's third-quarter profits' fall to £182m, largely in line with analysts' predictions, initially stripped 10p off the shares to 645p. But they quickly recovered to close 4p up at 659p.

Foods were generally firmer on revived speculation that United Biscuits, up 8p to 196p, was being stalked by a U.S. bidder. Associated British Foods rose 6p to 258p.

Among actives, Abbey Life shed 1p to 219p, Amersham International was 6p firmer at 321p, Caledonia Investments slipped 7p to 308p and DRG added 3p at 221p.

Brook Street Bureau added 8p to 170p after responding to an agreed share exchange, or cash alternative, offer from Blue Arrow which slipped 10p to 173p.

Dullness in the gilt-edged market left longer maturities down ¼ while shorts were more resilient

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38–39

HONG KONG

VIGOROUS bidding at a government land auction boosted share prices in Hong Kong which closed mixed after opening weakly.

The Hang Seng index added 3.80 to 1,670.51 at the close after sliding 12 early in the session.

The sale of the commercial land to a private company for a price well above expectations restored confidence to the market and property shares generally closed firmer.

Cheung Kong rose 10 cents to HK$19.70, Hongkong Land added 5 cents to HK$6.65 and New World Developments was also 5 cents up at HK$7.95.

SINGAPORE

SPECULATIVE buying and hopes that the budget due today would stimulate business helped Singapore to close higher.

Trading was again dominated by speculative issues, including Magnum, which closed 20 cents up for its second consecutive day at S$4.20, United Engineers, up 4 cents at 70 cents, and G.I. Holdings, up 5 cents at S$2.16.

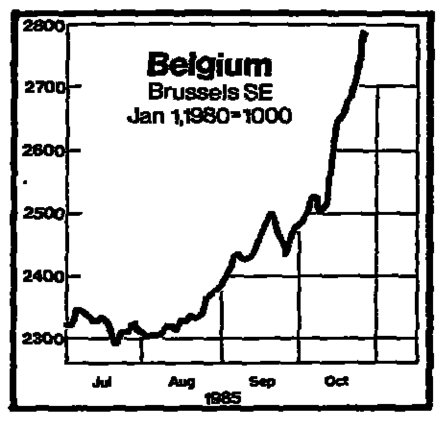
Finance shares were steady to firmer. DBS added 5 cents to S$5.80, and OCBC was 10 cents higher at S$8.55 while Malay Banking was steady at S$5.90.

EUROPE

Widespread demand at peak levels

SEVERAL major European bourses again reached record levels yesterday as investors replied to favourable domestic influences in each centre with further heavy buying orders.

Brussels stood out with some of the largest price movements which were



sufficient to carry many leading issues to their ninth consecutive record level.

The Brussels SE index firmed a further 13.65 to 2,768.91, carrying the increase since the country's centre-right coalition Government was returned to power to 258.64.

Traders said the confidence which this reassurance of political stability had generated during the past nine trading days was likely to remain as an underlying bullish influence.

They cautioned that a technical correction might develop unless further foreign buying emerged.

Société Générale de Belgique, the country's largest holding company, added a further BFr 15 to BFr 2,205, having lagged behind in the recent advance.

In Frankfurt the Commerzbank index hit another record, firming 16.1 to 1,720.1, although this does not reflect the selling which developed after this midday calculation.

Although VW held its gain to close DM 9.80 higher at DM 373, most stocks in the sector reflected the general weakness during the afternoon and closed well below their peaks for the day.

BMW fell from its high of DM 515 to end DM 2 up at DM 507 while Daimler slipped to end DM 6.50 lower at DM 1,070.

Chemicals were well supported, with Bayer at the head of the field with a DM 2.80 rise to DM 260.30, while Hoechst firmed DM 1.20 to DM 258.70 and BASF 50 pfg to DM 272.50.

Banks were mixed with Commerzbank the leading improver, adding DM 4.80 to DM 283.80.

The dollar's firmer tone kept bond traders out of the market, allowing prices to ease by as much as 50 pfg. The Bundesbank bought DM 29.3m worth of domestic paper

Foreign investors contributed to a strong price surge in **Amsterdam**, leaving many issues at peak levels.

The ANP-CBS index hit a new high, closing 4.3 up at 223.2.

Banks scored the largest rises. ABN closed up Fl 13.50 at Fl 518.0, and NMB was Fl 6.20 higher at Fl 202.20.

Publishers were again also in demand, with VNU Fl 7 higher at Fl 235.0.

Profit results from banks gave **Zurich** a further fillip, leaving many issues at record price levels. Swiss Bank closed at a high for the year, up SwFr 10 to SwFr 513.

The start of a new trading month in Paris signalled a return of buying interest after several days of weakness on low volume.

Traders in **Stockholm** were favourably impressed by the 1 percentage point cut in the penalty rate to 14 per cent, and prices recorded their most significant movements for several weeks.

Milan lost ground in featureless business. Fiat eased L21 to L4,420. **Madrid** eased in quiet trading.

SOUTH AFRICA

THE UNCERTAIN trend in the bullion price left golds lower in Johannesburg.

Buffelsfontein shed 50 cents to R77.00, and Driefontein was R1.85 down at R49.00 while Gold Fields SA added 25 cents to R32.25.

Other minings and mining financials eased with the trend. Anglo American Corp was 50 cents down at R33.75, diamond share De Beers lost 30 cents to R14.05 and Rustenburg Platinum closed 50 cents down at R23.75.

CANADA

INDUSTRIALS traded firmer although some blue chips lost ground in a mixed Toronto.

Among actives Canadian Pacific slipped C$½ to C$16⅝, Sears Canada lost C$⅛ to C$10¼, Husky Oil traded steady at C$9½ and Dome Petroleum slipped 6 cents to C$2.56.

In Montreal, industrials, banks and utilities generally traded mixed.

TOKYO

Speculators spark late rally

SPECULATIVE buying and firmer blue chips boosted Tokyo yesterday after three consecutive days of decline, *writes Shigeo Nishiwaki of Jiji Press.*

The rally came late in the session and recouped much of the ground lost by large-capital issues earlier in the day.

The Nikkei-Dow market average fell 88 at one stage but firmed to close 22.55 up at 12,969.08. Volume fell slightly to 334.5m shares from Wednesday's 351.1m. Losses outnumbered gains by 482 to 319, with 143 issues unchanged.

Among large-capital issues, Mitsubishi Heavy Industries fluctuated widely, leading the early fall and the recovery in the afternoon. The stock fell Y22 to Y393 at one point on rumours of lower-than-expected recurring profits for the year to next March. But sharply increased buying towards the close boosted it to Y410, only Y5 down.

Although the company denied the profits rumours, the shares were the day's most active with a trading volume of 34.9m.

Large steel, construction, property and electric railway stocks eased earlier in sympathy on small-lot selling but recovered most of their losses as investors resumed buying with Mitsubishi Heavy Industries' sharp rally.

Nippon Steel closed Y2 down at Y174 after dipping Y5 at one point. Tokyo Gas moved down Y4 to Y301, Kawasaki Heavy Industries Y9 to Y208 and Tokyo Electric Power Y80 to Y2,380.

Blue-chips attracted stronger buying interest as investors selectively bought stocks of companies showing stable earnings for the year to next March.

Among the most active, Ricoh, with 9.1m shares traded, gained Y53 to Y1,050. NEC added Y70 to Y1,190 and Konishiroku Photo Y25 to Y740. Hitachi was up Y27 to Y730, Canon Y40 to Y1,240, Nippon Gakki Y100 to Y1,420 and Ushio Y70 to Y1,110.

Continued selling of bond futures and speculation that the central bank might guide short-term interest rates higher, to ensure a stronger yen against the U.S. dollar, caused some dealers to offload bonds.

The yield on the benchmark 6.8 per cent government bond due in December 1994 jumped to 5.560 per cent